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Public Employees Retirement Board
1992 Annual Financial Report

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**STATE OF MONTANA
PUBLIC EMPLOYEES'
RETIREMENT BOARD**

1992

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 1992

Public Employees' Retirement System

Municipal Police Officers' Retirement System

Game Wardens' Retirement System

Sheriffs' Retirement System

Judges' Retirement System

Highway Patrol Officers' Retirement System

Firefighters' Unified Retirement System

Volunteer Firefighters' Compensation Act

Social Security Program

Prepared by
The State of Montana
Public Employees' Retirement Division
1712 Ninth Ave
Helena, MT 59620-0131

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DEPARTMENT OF ADMINISTRATION  
PUBLIC EMPLOYEES' RETIREMENT DIVISION



STAN STEPHENS, GOVERNOR

STATE OF MONTANA

(406) 444-3154

TELEFAX (406) 444-5428

1712 9TH AVENUE  
HELENA, MONTANA 59620-0131

December 1, 1992

The Honorable Stan Stephens  
Governor of Montana  
State Capitol  
Helena, MT 59620

Dear Governor Stephens:

In accordance with 19-3-306 MCA, the Public Employees' Retirement Board is pleased to submit to you their Annual Report for the fiscal year ended June 30, 1992.

The report of the 47th year of operation of the *Public Employees' Retirement System* is being presented with the *Municipal Police Officers', Game Wardens', Sheriffs', Judges', Highway Patrol Officers', and Firefighters' Unified Retirement Systems* and the *Volunteer Firefighters' Compensation Act*.

The Public Employees' Retirement Division is dedicated to efficiently and equitably administering these state and local government retirement systems on a financially sound basis, providing broad retirement coverage to public employee members and their beneficiaries in the event of death, disability or retirement as prescribed by the legislature.

Sincerely,

A handwritten signature in cursive script that reads "Mark A. Cress".

Mark A. Cress  
Administrator



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*PUBLIC EMPLOYEES'  
RETIREMENT BOARD*



**TROY MCGEE**  
Vice President – Helena  
Term exp. 1993



**TERRY TEICHROW**  
President – Helena  
Term exp. 1995



**MONA JAMISON**  
Helena  
Term exp. 1993



**ELEANOR PRATT**  
Glasgow  
Term exp. 1994



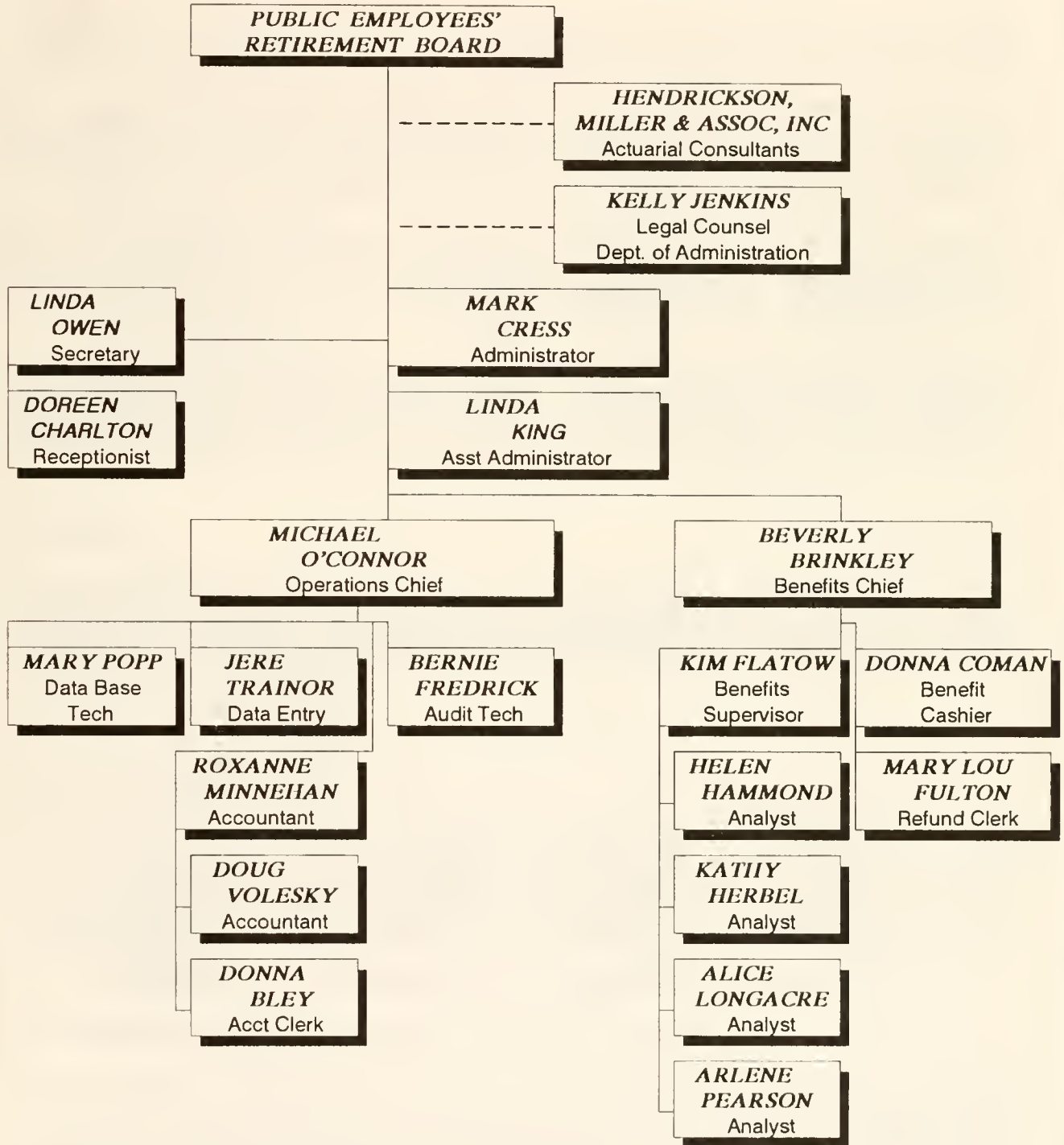
**E. J. MCGREEVEY**  
Anaconda  
Term exp. 1996



**CAROLE CAREY**  
Ekalaka  
Term exp. 1997



**PUBLIC EMPLOYEES'  
RETIREMENT DIVISION  
ORGANIZATIONAL CHART**



**STATE OF MONTANA  
PUBLIC EMPLOYEES' RETIREMENT BOARD**

**INTRODUCTION**

**HISTORY AND SERVICES PROVIDED**

The Public Employees' Retirement Board administers eight separate retirement systems with combined assets of over one billion dollars and membership of over 29,000. During fiscal year 1992, monthly benefits totalling \$ 74,442,823 were paid to 12,524 retirees and their beneficiaries, as compared to \$ 68,145,926 paid to 12,149 recipients in fiscal year 1991.

Responsibility for operation of the systems and the direction of its policies rests with the Public Employees' Retirement Board consisting of six members appointed by the Governor to five-year staggered terms. Administrative policies and procedures are designed to ensure accurate accounting of the funds detailed in this report.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Public Employee's Retirement Division. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the systems.

**REVENUES**

The reserves needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and through earnings on investments. These income sources totalled \$189,684,482 during fiscal year 1992.

|                       | 1992               | 1991               | Increase          |
|-----------------------|--------------------|--------------------|-------------------|
| <i>Contributions</i>  |                    |                    |                   |
| <i>Member</i>         | 39,780,444         | 35,667,849         | 4,112,595         |
| <i>Employer</i>       | 39,842,184         | 36,263,009         | 3,579,175         |
| <i>State</i>          | 8,923,071          | 6,719,515          | 2,203,556         |
| <i>Investments</i>    | <u>101,138,783</u> | <u>95,364,055</u>  | <u>5,774,728</u>  |
| <b>Total Revenues</b> | <b>189,684,482</b> | <b>174,014,428</b> | <b>15,670,054</b> |

**EXPENSES**

The expenses of the systems include the payment of benefits to members and beneficiaries,

**STATE OF MONTANA  
PUBLIC EMPLOYEES' RETIREMENT BOARD**

**INTRODUCTION**

the refund of contributions to former members, the cost of administering the retirement systems, and investment expenses.

|                            | 1992              | 1991              | Increase/Decrease |
|----------------------------|-------------------|-------------------|-------------------|
| <i>Benefit Payments</i>    | 74,442,823        | 68,145,926        | 6,296,897         |
| <i>Refunds</i>             |                   |                   |                   |
| <i>Employee</i>            | 8,754,864         | 10,235,253        | (1,480,389)       |
| <i>Employer</i>            | 229,422           | 436,973           | ( 207,551)        |
| <i>Administration</i>      | 1,249,697         | 863,181           | 386,516           |
| <i>Investment Expenses</i> | <u>254,677</u>    | <u>219,578</u>    | <u>35,099</u>     |
| <b>Total Expenses</b>      | <b>84,931,483</b> | <b>79,900,911</b> | <b>5,030,572</b>  |

**FUNDING**

Funds derived from the excess of revenues over expenses are accumulated by the systems in order to meet future benefit obligations to retirees and beneficiaries. An actuarial review of each retirement system ensures that funds will be available for current and future benefit payments. See the *Actuarial Section* for actuarial assumptions and pension disclosure information for each system.

**PROFESSIONAL SERVICES**

Professional actuarial services are provided by Hendrickson, Miller & Associates, actuarial consultants contracted by the Public Employees' Retirement Board. All trust fund investments are managed by the Montana Board of Investments. The Treasury Bureau of the Department of Administration is custodian of the retirement funds. Legal counsel for the Public Employees' Retirement Board is provided by the Attorney General through the legal staff of the Department of Administration.

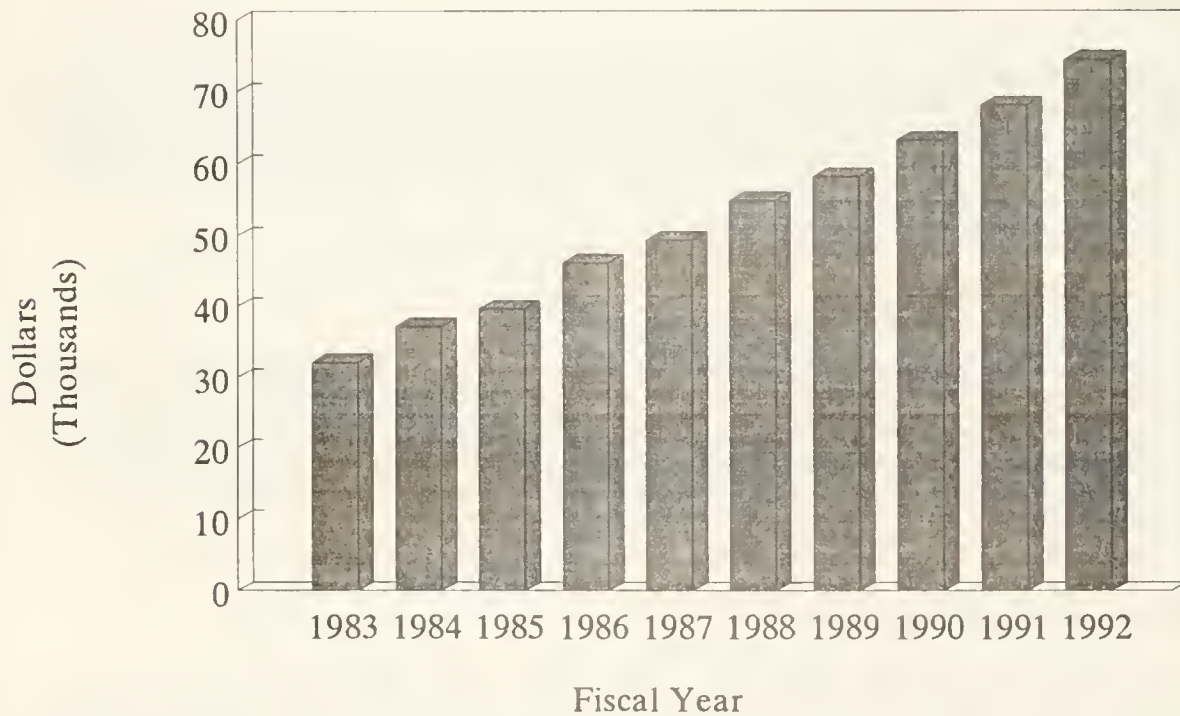
**ACKNOWLEDGEMENTS**

The preparation of this report reflects the dedicated efforts of the Public Employees' Retirement Division staff under the direction of the Retirement Board. It is intended to provide complete and reliable information necessary for informed decision-making, determining compliance with the law, and presenting responsible stewardship over the assets contributed by the members and their employers.

**STATE OF MONTANA  
PUBLIC EMPLOYEES' RETIREMENT BOARD  
COMPARATIVE SUMMARY OF PENSION PAYMENTS**

*(By Fiscal Year)  
(In thousands of dollars)*

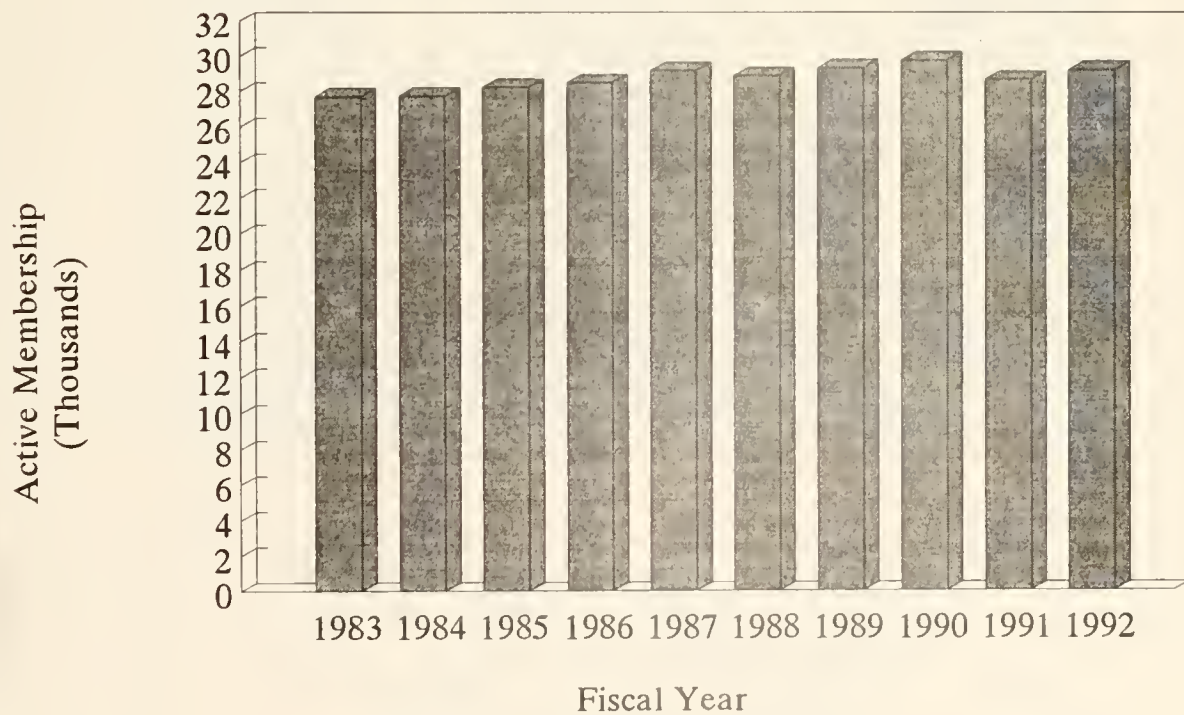
|              | <u>1983</u>   | <u>1984</u>   | <u>1985</u>   | <u>1986</u>   | <u>1987</u>   | <u>1988</u>   | <u>1989</u>   | <u>1990</u>   | <u>1991</u>   | <u>1992</u>   |
|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <i>PERS</i>  | 25,036        | 29,135        | 31,238        | 36,596        | 39,092        | 43,899        | 46,270        | 50,541        | 54,154        | 59,016        |
| <i>MPORS</i> | 2,743         | 2,926         | 3,151         | 3,464         | 3,697         | 3,990         | 4,273         | 4,638         | 4,843         | 5,330         |
| <i>GWRS</i>  | 278           | 299           | 301           | 383           | 409           | 432           | 545           | 685           | 717           | 779           |
| <i>SRS</i>   | 205           | 223           | 242           | 306           | 384           | 440           | 466           | 565           | 729           | 781           |
| <i>JRS</i>   | 329           | 410           | 417           | 437           | 436           | 447           | 471           | 568           | 574           | 637           |
| <i>HPORS</i> | 753           | 806           | 843           | 974           | 1,159         | 1,388         | 1,561         | 1,698         | 1,897         | 2,350         |
| <i>FURS</i>  | 2,748         | 2,996         | 3,217         | 3,485         | 3,730         | 4,013         | 3,997         | 4,213         | 4,494         | 4,851         |
| <i>VFCA</i>  |               | 401           | 268           | 508           | 502           | 328           | 688           | 366           | 737           | 699           |
| <b>TOTAL</b> | <b>32,092</b> | <b>37,196</b> | <b>39,677</b> | <b>46,153</b> | <b>49,409</b> | <b>54,937</b> | <b>58,271</b> | <b>63,274</b> | <b>68,145</b> | <b>74,443</b> |



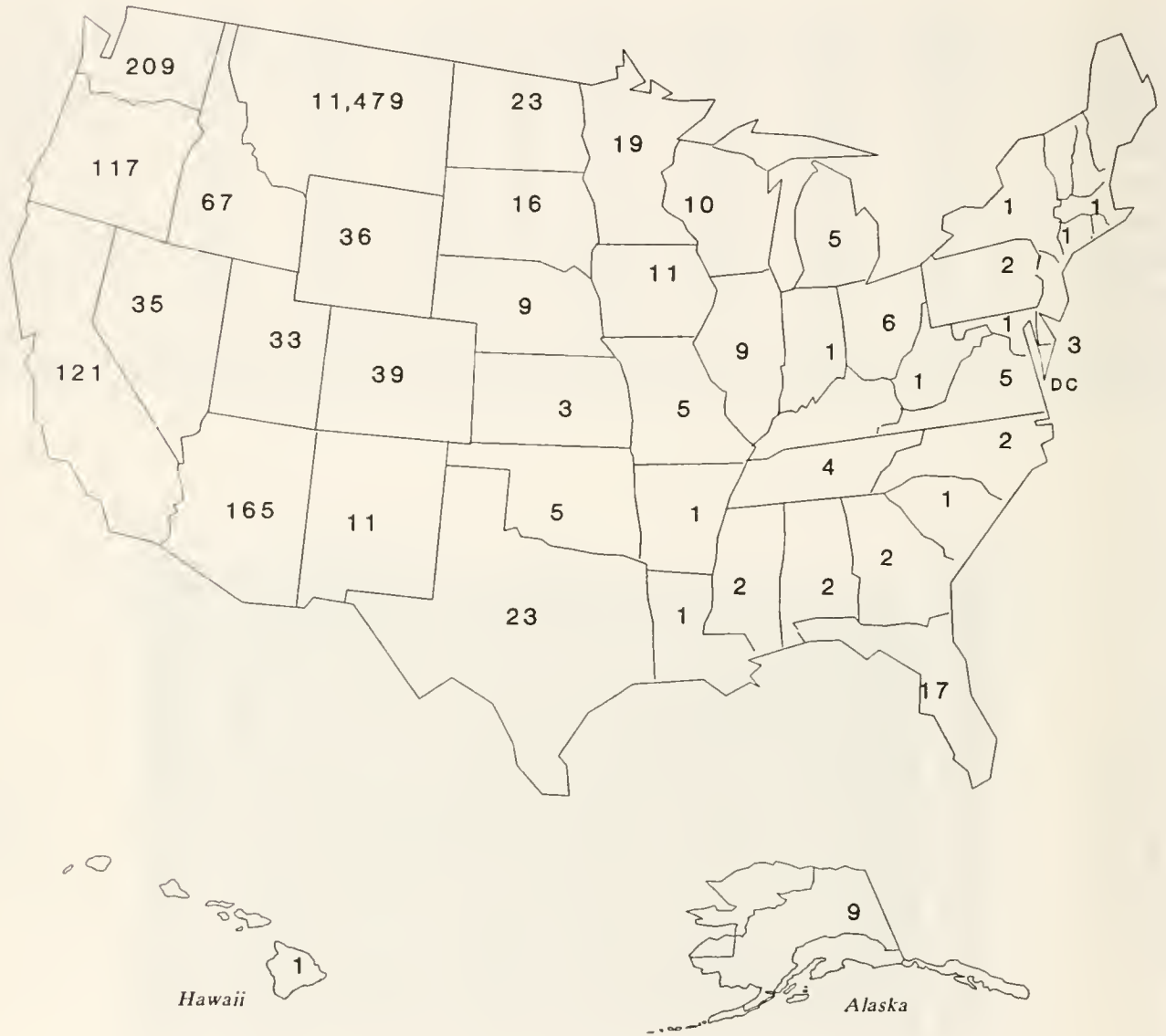
**STATE OF MONTANA  
PUBLIC EMPLOYEES' RETIREMENT BOARD  
COMPARATIVE SUMMARY OF ACTIVE MEMBERSHIP**

*(By Fiscal Year)*

|              | <u>1983</u>   | <u>1984</u>   | <u>1985</u>   | <u>1986</u>   | <u>1987</u>   | <u>1988</u>   | <u>1989</u>   | <u>1990</u>   | <u>1991</u>   | <u>1992</u>   |
|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <i>PERS</i>  | 25,857        | 26,026        | 26,520        | 26,767        | 27,418        | 27,191        | 27,614        | 28,017        | 26,908        | 27,473        |
| <i>MPORS</i> | 445           | 435           | 436           | 436           | 436           | 427           | 434           | 441           | 445           | 453           |
| <i>GWRS</i>  | 97            | 87            | 86            | 85            | 84            | 86            | 80            | 89            | 91            | 87            |
| <i>SRS</i>   | 584           | 537           | 539           | 541           | 530           | 509           | 523           | 522           | 525           | 521           |
| <i>JRS</i>   | 40            | 41            | 42            | 42            | 42            | 42            | 44            | 43            | 43            | 43            |
| <i>HPORS</i> | 219           | 197           | 198           | 201           | 194           | 187           | 190           | 199           | 203           | 203           |
| <i>FURS</i>  | 451           | 395           | 398           | 403           | 442           | 429           | 431           | 430           | 416           | 420           |
| <i>VFCA</i>  |               |               |               |               |               |               |               |               |               |               |
| <b>TOTAL</b> | <b>27,693</b> | <b>27,718</b> | <b>28,219</b> | <b>28,475</b> | <b>29,146</b> | <b>28,871</b> | <b>29,316</b> | <b>29,741</b> | <b>28,631</b> | <b>29,200</b> |



**STATE OF MONTANA  
PUBLIC EMPLOYEES' RETIREMENT BOARD  
DISTRIBUTION OF BENEFIT RECIPIENTS BY STATE  
AS OF JUNE 30, 1992**



*Recipients outside the U.S. include:  
Canada - 7 Costa Rica - 1 England - 1 Puerto Rico - 1*



# *Financial Section*





**STATE OF MONTANA**  
**PUBLIC EMPLOYEES' RETIREMENT BOARD**  
**ADMINISTRATIVE EXPENSES**  
**FOR FISCAL YEAR ENDED JUNE 30, 1992**

**PERSONAL SERVICES**

|                                |                |
|--------------------------------|----------------|
| Salaries                       | \$458,432      |
| Board Members' Per Diem        | 2,000          |
| Employee Benefits              | 107,566        |
| <b>Total Personal Services</b> | <b>567,999</b> |

**CONTRACTED SERVICES**

|                                  |                |
|----------------------------------|----------------|
| Actuarial Services               | 67,690         |
| Janitorial                       | 1,620          |
| Legal Fees and Court Costs       | 23,215         |
| Payroll and Audit Fees           | 11,284         |
| Medical Services                 | 7,731          |
| Microfilming                     | 3,914          |
| Records Storage                  | 1,799          |
| Pre-Retirement Seminars          | 1,500          |
| Computer Processing              | 69,855         |
| Systems Development              | 326,888        |
| Printing and Photocopy Pool      | 20,907         |
| Other                            | 14,426         |
| <b>Total Contracted Services</b> | <b>550,829</b> |

**COMMUNICATIONS**

|                             |               |
|-----------------------------|---------------|
| Postage and Mailing         | 40,888        |
| Telephone                   | 10,465        |
| <b>Total Communications</b> | <b>51,353</b> |

**OTHER EXPENSES**

|                             |               |
|-----------------------------|---------------|
| Supplies and Materials      | 12,030        |
| Travel                      | 11,393        |
| Rent                        | 17,838        |
| Utilities                   | 5,652         |
| Repair and Maintenance      | 5,916         |
| Depreciation/Amortization   | 11,245        |
| Compensated Absences        | (6,945)       |
| Equipment                   | 14,169        |
| Prior Year Adjustments      | 5,355         |
| Miscellaneous               | 2,863         |
| <b>Total Other Expenses</b> | <b>79,516</b> |

**TOTAL ADMINISTRATIVE EXPENSES**

**\$1,249,697**

**STATE OF MONTANA  
PUBLIC EMPLOYEES' RETIREMENT BOARD**

**COMBINED BALANCE SHEET**

**JUNE 30, 1992**

**ASSETS**

|                                        |                        |
|----------------------------------------|------------------------|
| Cash In Treasury                       | \$1,271,368            |
| Interest Receivable                    | 18,672,913             |
| Accounts Receivable                    | 11,118,075             |
| Corporate Securities                   | 609,549,476            |
| U.S. Government Securities             | 164,075,901            |
| Canadian Securities                    | 27,030,197             |
| Mortgages (less Mortgage Discount)     | 69,650,466             |
| Short Term Investment Pool             | 51,932,300             |
| Common Stock                           | 219,747,029            |
| Preferred Stock                        | 3,251,350              |
| Equipment (less Depreciation)          | 63,416                 |
| Intangible Assets                      | 1,766                  |
| Land and Buildings (less Depreciation) | 112,020                |
| Leveraged Buy - Outs                   | 13,387,471             |
| Venture Capital                        | 6,907,716              |
| Deferred Gains and Losses              | 5,035,500              |
| <b>Total Assets</b>                    | <b>\$1,201,806,964</b> |

**LIABILITIES**

|                                          |                        |
|------------------------------------------|------------------------|
| Accounts Payable                         | \$1,304,693            |
| Deferred Revenue                         | 1,156                  |
| Compensated Absences                     | 49,326                 |
| <b>Net Assets Available For Benefits</b> | <b>\$1,200,451,789</b> |

**FUND BALANCE**

|                                    |                        |
|------------------------------------|------------------------|
| Annuity Savings Reserve            | \$259,223,469          |
| Annuity Savings Interest Reserve   | 152,678,161            |
| Pension Accumulation Reserve       | 787,934,311            |
| Post Retirement Adjustment Reserve | 615,848                |
| <b>Total Fund Balance</b>          | <b>\$1,200,451,789</b> |

**MEMO ENTRY ONLY**

**STATE OF MONTANA  
PUBLIC EMPLOYEES' RETIREMENT BOARD**

**COMBINED STATEMENT OF  
REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE  
FOR FISCAL YEARS ENDED JUNE 30, 1992 AND JUNE 30, 1991**

| <i>REVENUES</i>                             | <i>1992</i>                   | <i>1991</i>                   |
|---------------------------------------------|-------------------------------|-------------------------------|
| Retirement Contributions                    |                               |                               |
| Member                                      | \$39,780,444                  | \$35,667,849                  |
| Employer                                    | 39,842,184                    | 36,263,009                    |
| State                                       | 8,923,071                     | 6,719,515                     |
| Interest Reserve Buyback                    | 51,298                        | 82,356                        |
| Late Report Penalty                         | 190                           | 381                           |
| Membership Fees                             | 27,606                        | 26,718                        |
| Investment Income                           | 91,258,062                    | 85,515,477                    |
| Rental Receipts                             | 22,250                        | 23,250                        |
| Common Stock Dividends                      | 9,858,471                     | 9,825,328                     |
| Registration Fees                           | 287,593                       | 247,625                       |
| License Fee Collections                     | 587,593                       | 531,295                       |
| Fines and Forfeitures                       | 270,845                       | 295,346                       |
| Court Fees                                  | 562,540                       | 556,251                       |
| City Held Investments                       | 0                             | 4,236                         |
| <b>Total Revenues</b>                       | <u><u>\$191,472,147</u></u>   | <u><u>\$175,758,636</u></u>   |
| <br><i>EXPENSES</i>                         |                               |                               |
| Benefit Payments                            | \$74,442,823                  | \$68,145,926                  |
| Refund of Member Contributions              | 6,689,145                     | 7,764,909                     |
| Interest On Refunds                         | 2,065,719                     | 2,470,344                     |
| Supplemental Insurance Benefits             | 24,606                        | 20,550                        |
| Medical Insurance Payments                  | 0                             | 1,586                         |
| Employer Refund                             | 229,422                       | 436,973                       |
| Investment Expense                          | 254,677                       | 219,578                       |
| Rent Expense                                | 8,703                         | 7,214                         |
| Administrative Expense                      | 1,249,697                     | 863,181                       |
| <b>Total Expenses</b>                       | <u><u>\$84,964,791</u></u>    | <u><u>\$79,930,261</u></u>    |
| <br><i>OTHER FINANCING SOURCES - (USES)</i> |                               |                               |
| Capitalize Equipment                        | \$9,084                       | \$681                         |
| Prior Year Adjustments                      | (186,306)                     | (1,074,750)                   |
| Excess Of Revenues Over Expenses            | 106,330,134                   | 94,754,306                    |
| Fund Balance Beginning Of Year              | 1,094,121,655                 | 999,367,349                   |
| <b>Fund Balance End Of Year</b>             | <u><u>\$1,200,451,789</u></u> | <u><u>\$1,094,121,655</u></u> |

*MEMO ENTRY ONLY*



*PUBLIC EMPLOYEES'  
RETIREMENT SYSTEM*



*Montana State Auditor's Office, 1903. Samuel Calderhead - Clerk, James H. Calderhead Auditor; C.J. Holmes, Deputy Auditor; Miss Hogan, stenographer. Photo compliments of Montana Historical Society, Helena.*

**STATE OF MONTANA**  
**PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**BALANCE SHEET**

**JUNE 30, 1992**

**ASSETS**

|                                        |                        |
|----------------------------------------|------------------------|
| Cash In Treasury                       | \$1,185,078            |
| Interest Receivable                    | 15,690,001             |
| Accounts Receivable                    | 3,224,319              |
| Corporate Securities                   | 515,684,545            |
| U.S. Government Securities             | 118,853,445            |
| Canadian Securities                    | 21,452,515             |
| Mortgages (less Mortgage Discount)     | 69,650,466             |
| Short Term Investment Pool             | 44,705,100             |
| Common Stock                           | 192,139,830            |
| Preferred Stock                        | 3,205,850              |
| Equipment (less Depreciation)          | 63,416                 |
| Intangible Assets                      | 1,766                  |
| Land and Buildings (less Depreciation) | 112,020                |
| Leveraged Buy-Outs                     | 11,345,316             |
| Venture Capital                        | 6,907,716              |
| Deferred Gains and Losses              | 4,747,553              |
| <b>Total Assets</b>                    | <b>\$1,008,968,936</b> |

**LIABILITIES**

|                                          |                        |
|------------------------------------------|------------------------|
| Accounts Payable                         | 1,210,104              |
| Deferred Revenue                         | 1,103                  |
| Compensated Absences                     | 49,326                 |
| <b>Net Assets Available For Benefits</b> | <b>\$1,007,708,403</b> |

**FUND BALANCE**

|                                    |                        |
|------------------------------------|------------------------|
| Annuity Savings Reserve            | \$233,231,266          |
| Annuity Savings Interest Reserve   | 136,917,862            |
| Pension Accumulation Reserve       | 636,966,441            |
| Post Retirement Adjustment Reserve | 592,834                |
| <b>Total Fund Balance</b>          | <b>\$1,007,708,403</b> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA**  
**PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND BALANCE**

**FOR FISCAL YEARS ENDED JUNE 30, 1992 AND JUNE 30, 1991**

|                                         | 1992                   | 1991                 |
|-----------------------------------------|------------------------|----------------------|
| <b>REVENUES</b>                         |                        |                      |
| Retirement Contributions                |                        |                      |
| Member                                  | \$36,117,576           | \$32,470,880         |
| Employer                                | 33,837,196             | 31,212,844           |
| State                                   | 1,379,402              | 0                    |
| Interest Reserve Buyback                | 48,982                 | 57,420               |
| Late Report Penalty                     | 190                    | 381                  |
| Membership Fees                         | 27,606                 | 26,718               |
| Investment Income                       | 76,942,341             | 71,933,087           |
| Rental Receipts                         | 22,250                 | 23,250               |
| Common Stock Dividends                  | 8,711,942              | 8,672,397            |
| <b>Total Revenues</b>                   | <b>\$157,087,485</b>   | <b>\$144,396,977</b> |
| <b>EXPENSES</b>                         |                        |                      |
| Benefit Payments                        | \$59,015,587           | \$54,154,119         |
| Refund of Member Contributions          | 6,362,408              | 7,246,217            |
| Interest On Refunds                     | 1,950,936              | 2,295,905            |
| Employer Refund                         | 221,736                | 401,236              |
| Investment Expense                      | 232,243                | 201,534              |
| Rent Expense                            | 8,703                  | 7,214                |
| Administrative Expense                  | 1,157,128              | 791,808              |
| <b>Total Expenses</b>                   | <b>\$68,948,741</b>    | <b>\$65,098,033</b>  |
| <b>OTHER FINANCING SOURCES - (USES)</b> |                        |                      |
| Capitalize Equipment                    | 9,084                  | 680                  |
| Prior Year Adjustments                  | 86,198                 | (825,149)            |
| Excess Of Revenues Over Expenses        | 88,234,026             | 78,474,475           |
| Fund Balance Beginning Of Year          | 919,474,377            | 840,999,902          |
| <b>Fund Balance End Of Year</b>         | <b>\$1,007,708,403</b> | <b>\$919,474,377</b> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 1992**

**RESOURCES PROVIDED BY:**

|                                          |                            |
|------------------------------------------|----------------------------|
| From Operations:                         |                            |
| Excess Revenues Over Expenses            | \$88,234,026               |
| Items Not Requiring Resources Currently: |                            |
| Depreciations/Amortization Expense       | 16,449                     |
| Prior Year Adjustment                    | (2,835)                    |
| <b>Total Resources Provided</b>          | <u><u>\$88,247,640</u></u> |

**RESOURCES USED BY:**

|                                       |                            |
|---------------------------------------|----------------------------|
| Current Year Acquisition Of Equipment | \$9,084                    |
| Net Increase In Working Capital       | 88,238,556                 |
| <b>Total Resources Used</b>           | <u><u>\$88,247,640</u></u> |

**ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL**

|                                  | <b>YEAR ENDED JUNE 30</b>            |                                    | <b>INCREASE<br/>(DECREASE)</b>    |
|----------------------------------|--------------------------------------|------------------------------------|-----------------------------------|
|                                  | <b>1992</b>                          | <b>1991</b>                        |                                   |
| <b>CURRENT ASSETS:</b>           |                                      |                                    |                                   |
| Cash                             | \$1,185,078                          | \$19,711                           | \$1,165,367                       |
| Accrued Interest                 | 15,690,001                           | 16,454,622                         | (\$764,621)                       |
| Accrued Contributions            | 3,224,319                            | 2,212,441                          | \$1,011,878                       |
| Prepaid Expense                  | 0                                    | 1,860                              | (\$1,860)                         |
| Corporate Securities             | 515,684,545                          | 515,972,810                        | (\$288,265)                       |
| U.S. Government Securities       | 118,853,445                          | 70,822,017                         | \$48,031,428                      |
| Canadian Securities              | 21,452,515                           | 24,898,453                         | (\$3,445,938)                     |
| Mortgages (less Discount)        | 69,650,466                           | 68,063,057                         | \$1,587,409                       |
| Short Term Investment Pool       | 44,705,100                           | 67,416,400                         | (\$22,711,300)                    |
| Common Stock                     | 192,139,830                          | 131,135,129                        | \$61,004,701                      |
| Preferred Stock                  | 3,205,850                            | 2,468,473                          | \$737,377                         |
| Leveraged Buy-Outs               | 11,345,316                           | 10,989,840                         | \$355,476                         |
| Venture Capital                  | 6,907,716                            | 3,621,170                          | \$3,286,546                       |
| Deferred Gains and Losses        | 4,747,553                            | 7,088,720                          | (\$2,341,167)                     |
| <b>Total Current Assets</b>      | <u><b>\$1,008,791,734</b></u>        | <u><b>\$921,164,703</b></u>        | <u><b>\$87,627,031</b></u>        |
| <b>CURRENT LIABILITIES:</b>      |                                      |                                    |                                   |
| Accrued Expenses                 | 1,210,104                            | 1,814,604                          | (604,500)                         |
| Deferred Revenue                 | 1,103                                | 1,183                              | (80)                              |
| Compensated Absences             | 49,326                               | 56,271                             | (6,945)                           |
| <b>Total Current Liabilities</b> | <u><b>\$1,260,533</b></u>            | <u><b>\$1,872,058</b></u>          | <u><b>(\$611,525)</b></u>         |
| <b>WORKING CAPITAL</b>           | <u><u><b>\$1,007,531,201</b></u></u> | <u><u><b>\$919,292,645</b></u></u> | <u><u><b>\$88,238,556</b></u></u> |

*The notes to the financial statements are an integral part of this statement*



**STATE OF MONTANA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

**PLAN DESCRIPTION**

**1. PLAN MEMBERSHIP**

The Public Employees' Retirement System (PERS) is a statewide defined benefit retirement plan established in 1945 for employees of the State, local governments and non-teaching school district employees. The PERS is a multiple-employer, cost-sharing plan.

| <b>PERS MEMBERSHIP DATA</b>         |                      |                      |
|-------------------------------------|----------------------|----------------------|
|                                     | <b>June 30, 1992</b> | <b>June 30, 1991</b> |
| <b>EMPLOYERS</b>                    |                      |                      |
| State                               | 54                   | 55                   |
| Counties                            | 55                   | 55                   |
| Cities/Towns                        | 84                   | 84                   |
| Colleges/Universities               | 6                    | 6                    |
| School Districts                    | 225                  | 221                  |
| Other                               | <u>73</u>            | <u>66</u>            |
| <b>TOTAL</b>                        | <b>497</b>           | <b>487</b>           |
| <b>ACTIVE MEMBERS</b>               |                      |                      |
| State                               | 10,913               | 10,707               |
| Counties                            | 5,270                | 5,150                |
| Cities/Towns                        | 2,545                | 2,471                |
| Colleges/Universities               | 2,398                | 2,293                |
| School Districts                    | 5,566                | 5,475                |
| Other                               | <u>781</u>           | <u>812</u>           |
| <b>TOTAL</b>                        | <b>27,473</b>        | <b>26,908</b>        |
| <b>INACTIVE MEMBERS</b>             |                      |                      |
| Vested                              | 1,035                | 927                  |
| Non-vested                          | <u>4,703</u>         | <u>4,504</u>         |
| <b>TOTAL</b>                        | <b>5,738</b>         | <b>5,431</b>         |
| <b>RETIREES &amp; BENEFICIARIES</b> |                      |                      |
| Retirees                            | 9,680                | 9,395                |
| Disabilities                        | 831                  | 810                  |
| Survivors                           | <u>223</u>           | <u>224</u>           |
| <b>TOTAL</b>                        | <b>10,734</b>        | <b>10,429</b>        |

**STATE OF MONTANA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

**2. PLAN BENEFITS**

**A. PENSION BENEFITS**

A member may retire with a regular service retirement benefit after both completing at least five years of membership service and attaining the minimum service retirement age of 60, *or* after completing 30 years of membership service, regardless of age, *or* after reaching age 65 while an active member, regardless of years of service. The regular retirement benefit, payable monthly for life, is based on the following formula:

**PERS BENEFIT FORMULA**

$$1/56 \times \text{Years of Service} \times \text{Final Average Salary (FAS)}$$

FAS is the average of the member's highest gross pay during any 36 consecutive months of service.

A member who is not eligible for normal service retirement may retire with an actuarially reduced early retirement benefit after either completing at least five years of membership service and attaining age 50, *or* 25 years of membership service, regardless of age.

When applying for retirement, members may choose an option providing benefits for their life only, or choose a reduced monthly benefit in order to provide continuing optional benefits for designated beneficiaries upon the retired member's death.

**B. DEFERRED BENEFIT**

A vested member (one who has completed at least five years of membership service) leaving covered employment before attaining retirement age is eligible for a monthly benefit beginning as early as age 50, provided the accumulated contributions are left on deposit. If the inactive member should become deceased before he applies for retirement benefits, his designated beneficiary is entitled to a refund of all accumulated contributions and interest.

**C. DISABILITY BENEFIT**

A member with five or more years of credited service who becomes totally and permanently disabled (unable to perform current job duties) is eligible for a disability benefit.

**STATE OF MONTANA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

If the disabled member was hired on or before February 24, 1991, the benefit equal to the higher of either:

25% of FAS, *or*  
90% of  $1/56 \times \text{Years of Service} \times \text{FAS}$ .

If the disabled member was hired after February 24, 1991, (or had earlier elected this coverage) is benefit is calculated as follows:

$1/56 \times \text{Years of Service} \times \text{FAS}$ .

**D. DEATH BENEFIT**

Upon the death of an actively employed member of the system, the designated beneficiary is entitled to:

- 1) a lump sum death benefit, which consists of one month's salary for each year of service, up to a maximum of six months' salary, plus the members' accumulated contributions and interest, *or*
- 2) if the deceased member had at least five years of credited service, the beneficiary may choose a monthly benefit based on the salary, service and age of the member.

**E. BENEFIT ENHANCEMENTS AFTER RETIREMENT**

An automatic post retirement adjustment provides permanent benefit increases funded from annual investment earnings exceeding the actuarially required 8% yield. These increases are paid to eligible recipients based on years of service, current age and the retirement option chosen. In January 1992, the average eligible recipient received an increase of 1.66%.

The 1991 Montana Legislature enacted Senate Bill 226 made all pension payments subject to state taxation and provided for an annual benefit adjustment payment to be made to all retirees who are residents of the State of Montana. During fiscal year 1992, eligible recipients received an increase of 2.74%.

**3. FUNDING REQUIREMENTS**

**A. MEMBER CONTRIBUTIONS**

Member contribution rates for fiscal year 1992 are set by statute at 6.417% of each member's gross monthly compensation and are deducted from each member's salary and remitted by participating employers. An individual account is maintained for each member's contributions and interest allocations until a retirement or a refund request is processed.

**STATE OF MONTANA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

**B. EMPLOYER CONTRIBUTIONS**

During fiscal year 1992, each state, university system, or contracting local government employer contributes 6.417% of their total PERS-covered payroll to the retirement system.

**ACTUARIAL COST METHOD**

Refer to the *Actuarial Section*.

**FUNDING REQUIREMENTS & ACTUAL CONTRIBUTIONS**

The aggregate contribution rate of 12.834% (employer and member contributions) funds the normal cost contribution rate of 10.24%. The 2.59% difference is applied to amortize the unfunded liabilities of the system. Employer and member contributions for the year totalled \$71,344,681.

**SIGNIFICANT ACCOUNTING & FINANCIAL REPORTING POLICIES**

**1. METHOD OF ACCOUNTING**

Refer to the *Appendix* for standard accounting policies.

**2. VALUATION OF INVESTMENTS**

See *Appendix* for investment policies as these policies are standard for all funds. The following is the listing of investments at fiscal year end:

**STATE OF MONTANA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

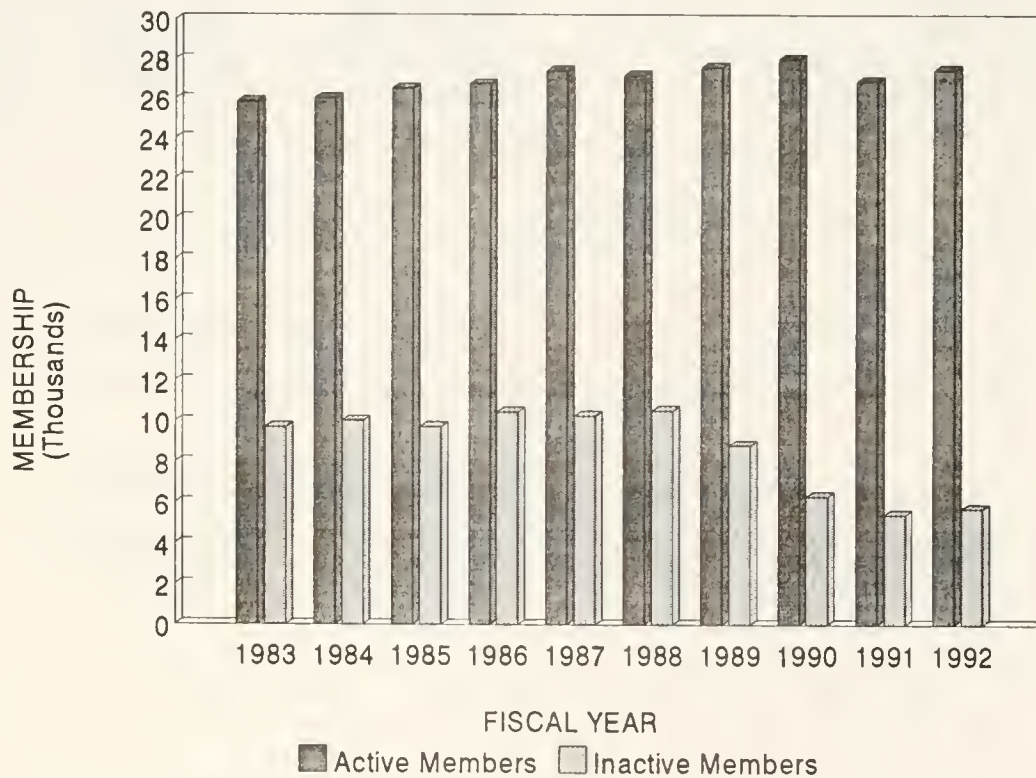
**PERS INVESTMENTS**

| <u>Type</u>                | <u>Cost</u> |                    | <u>Market</u> |                      |
|----------------------------|-------------|--------------------|---------------|----------------------|
| Corporate Securities       | \$          | 515,684,545        | \$            | 545,720,394          |
| US Government Securities   |             | 118,853,445        |               | 122,625,332          |
| Canadian Securities        |             | 21,452,515         |               | 24,617,871           |
| Mortgages                  |             | 69,650,466         |               | 69,650,466           |
| Short Term Investment Pool |             | 44,705,100         |               | 44,705,100           |
| Mont-Comp (Common Stock)   |             | 192,139,830        |               | 327,216,011          |
| Preferred Stock            |             | 3,205,850          |               | 3,161,250            |
| PERS Building (less depr)  |             | 87,020             |               | 87,020               |
| Land                       |             | 25,000             |               | 25,000               |
| Leveraged Buy-Outs         |             | 11,345,316         |               | 17,938,228           |
| Venture Capital            |             | <u>6,907,716</u>   |               | <u>7,516,105</u>     |
| <b>TOTAL INVESTMENTS</b>   | <b>\$</b>   | <b>984,056,803</b> | <b>\$</b>     | <b>1,163,262,777</b> |

**STATE OF MONTANA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

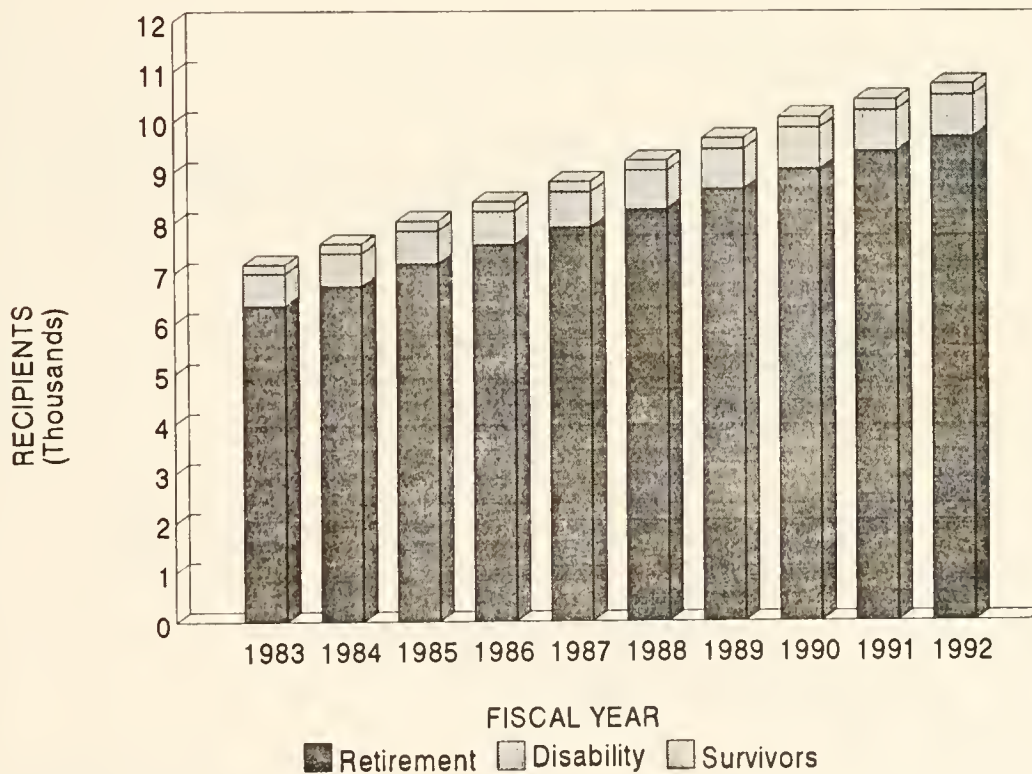
**MEMBERSHIP**

| <i>Fiscal Year</i> | <i>Active Members</i> | <i>Inactive Members</i> | <i>Total</i> |
|--------------------|-----------------------|-------------------------|--------------|
| 06/30/83           | 25,857                | 9,702                   | 35,559       |
| 06/30/84           | 26,026                | 10,031                  | 36,057       |
| 06/30/85           | 26,520                | 9,715                   | 36,235       |
| 06/30/86           | 26,767                | 10,462                  | 37,229       |
| 06/30/87           | 27,418                | 10,276                  | 37,694       |
| 06/30/88           | 27,191                | 10,514                  | 37,705       |
| 06/30/89           | 27,614                | 8,811                   | 36,425       |
| 06/30/90           | 28,017                | 6,318                   | 34,335       |
| 06/30/91           | 26,908                | 5,431                   | 32,339       |
| 06/30/92           | 27,473                | 5,738                   | 33,211       |



**STATE OF MONTANA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
RETIRED MEMBERS AND BENEFIT RECIPIENTS**

| <i>Fiscal Year</i> | <i>Retirement</i> | <i>Disability</i> | <i>Survivors</i> | <i>Total</i> |
|--------------------|-------------------|-------------------|------------------|--------------|
| 06/30/83           | 6,343             | 634               | 181              | 7,158        |
| 06/30/84           | 6,723             | 655               | 190              | 7,568        |
| 06/30/85           | 7,176             | 654               | 195              | 8,025        |
| 06/30/86           | 7,544             | 670               | 192              | 8,406        |
| 06/30/87           | 7,893             | 704               | 205              | 8,802        |
| 06/30/88           | 8,252             | 762               | 210              | 9,224        |
| 06/30/89           | 8,645             | 794               | 213              | 9,652        |
| 06/30/90           | 9,044             | 821               | 221              | 10,086       |
| 06/30/91           | 9,395             | 810               | 224              | 10,429       |
| 06/30/92           | 9,680             | 831               | 223              | 10,734       |

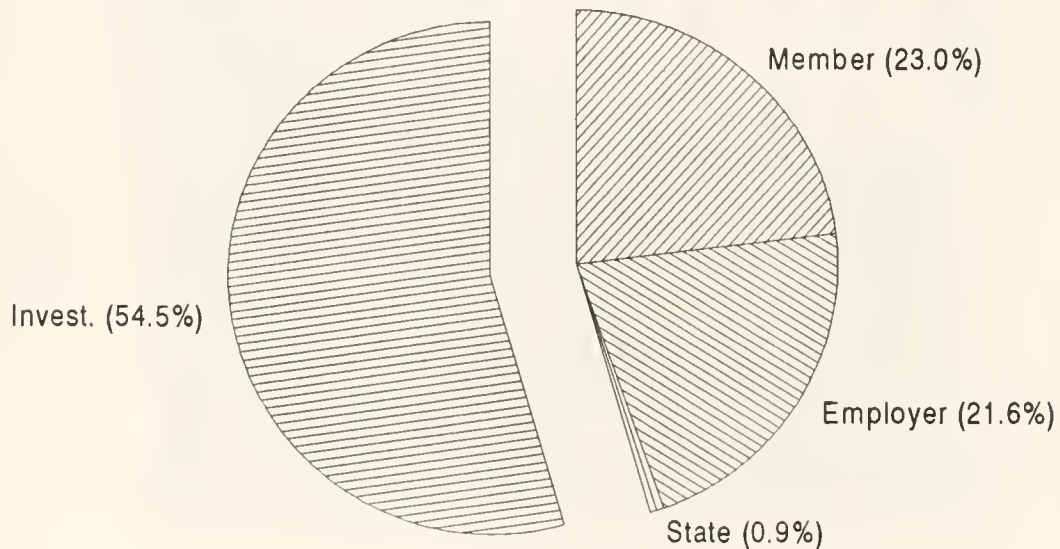


**STATE OF MONTANA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**COMPARATIVE SUMMARY OF REVENUES BY SOURCE**

| <i>Fiscal<br/>Year</i> | <i>Contributions</i> |                 | <i>State</i> | <i>Investment</i> | <i>Total</i> |
|------------------------|----------------------|-----------------|--------------|-------------------|--------------|
|                        | <i>Member</i>        | <i>Employer</i> |              | <i>Income</i>     |              |
| 06/30/83               | 22,671,919           | 23,193,749      | 0            | 35,888,201        | 81,753,869   |
| 06/30/84               | 23,835,463           | 24,816,532      | 0            | 41,230,396        | 89,882,391   |
| 06/30/85               | 25,396,735           | 26,416,122      | 0            | 48,275,253        | 100,088,110  |
| 06/30/86               | 26,402,314           | 27,959,431      | 0            | 58,592,716        | 112,954,461  |
| 06/30/87               | 26,950,278           | 27,780,197      | 0            | 63,402,152        | 118,132,627  |
| 06/30/88               | 26,550,730           | 27,051,103      | 0            | 64,602,096        | 118,203,929  |
| 06/30/89               | 27,949,134           | 28,278,455      | 0            | 72,187,744        | 128,415,333  |
| 06/30/90               | 32,557,391           | 30,468,668      | 0            | 77,924,143        | 140,950,202  |
| 06/30/91               | 32,528,300           | 31,239,943      | 0            | 80,628,734        | 144,396,977  |
| 06/30/92               | 36,166,558           | 33,864,992      | 1,379,402    | 85,676,533        | 157,087,485  |

**REVENUES FOR FISCAL YEAR 92**

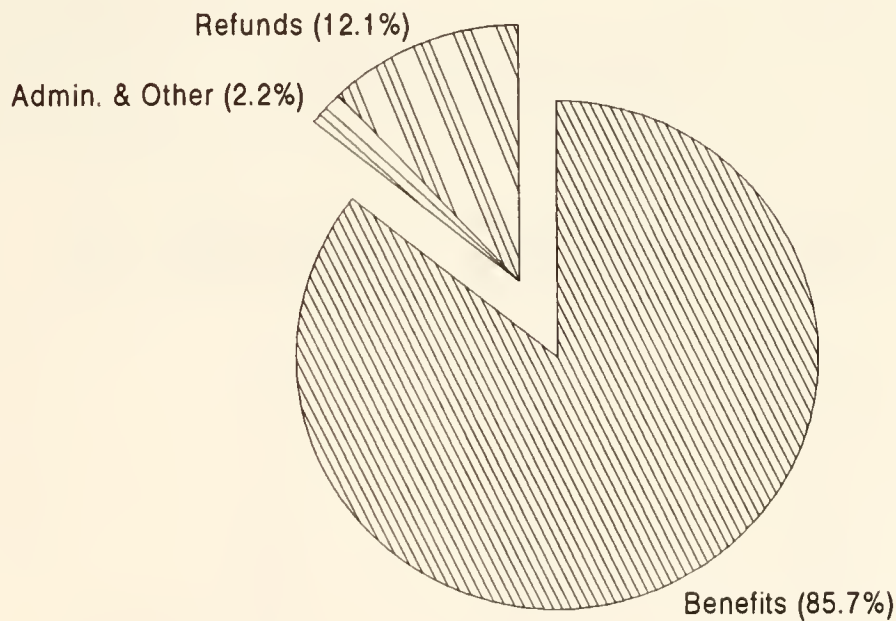




**STATE OF MONTANA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
COMPARATIVE SUMMARY OF EXPENSES BY TYPE**

| <i>Fiscal Year</i> | <i>Benefits</i> | <i>Refunds</i> | <i>Admin Expenses*</i> | <i>Other**</i> | <i>Total</i> |
|--------------------|-----------------|----------------|------------------------|----------------|--------------|
| 06/30/83           | 25,036,076      | 6,230,042      | 604,641                | 88,632         | 31,959,391   |
| 06/30/84           | 29,134,512      | 6,838,769      | 715,150                | (434,424)      | 36,254,007   |
| 06/30/85           | 31,237,495      | 8,428,750      | 669,816                | 122,372        | 40,458,433   |
| 06/30/86           | 36,595,794      | 8,195,090      | 767,312                | 2,917,140      | 48,475,336   |
| 06/30/87           | 39,092,230      | 8,547,578      | 901,532                | (44,798)       | 48,496,542   |
| 06/30/88           | 43,899,458      | 8,986,375      | 944,886                | 254,846        | 54,085,565   |
| 06/30/89           | 46,270,098      | 11,403,305     | 957,233                | 376,377        | 59,007,013   |
| 06/30/90           | 50,541,097      | 10,093,440     | 997,001                | 471,430        | 62,102,968   |
| 06/30/91           | 54,154,119      | 9,542,122      | 993,342                | 1,232,919      | 65,922,502   |
| 06/30/92           | 59,015,587      | 8,313,344      | 1,389,371              | 135,157        | 68,853,459   |

**EXPENSES FOR FISCAL YEAR 92**



\*Includes Investment Expense

\*\*Includes Prior Year Adjustments

**STATE OF MONTANA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS**

| FISCAL<br>YEAR | REVENUES    | EXPENSES   | ANNUAL<br>ADDITIONS | NET ASSETS<br>AVAILABLE |
|----------------|-------------|------------|---------------------|-------------------------|
| 06/30/83       | 81,753,869  | 31,959,391 | 49,794,478          | 381,252,713             |
| 06/30/84       | 89,882,391  | 36,254,007 | 53,628,384          | 434,881,097             |
| 06/30/85       | 100,088,110 | 40,458,433 | 59,629,677          | 494,510,774             |
| 06/30/86       | 112,954,461 | 48,475,336 | 64,479,125          | 558,989,899             |
| 06/30/87       | 118,132,627 | 48,496,542 | 69,636,085          | 628,625,984             |
| 06/30/88       | 118,203,929 | 54,085,565 | 64,118,364          | 692,744,348             |
| 06/30/89       | 128,415,333 | 59,007,013 | 69,408,320          | 762,152,668             |
| 06/30/90       | 140,950,202 | 62,102,968 | 78,847,234          | 840,999,902             |
| 06/30/91       | 144,396,977 | 65,922,502 | 78,474,475          | 919,474,377             |
| 06/30/92       | 157,087,485 | 68,853,459 | 88,234,026          | 1,007,708,403           |

**CONTRIBUTION RATES**

| FISCAL<br>YEAR | EMPLOYEE<br>PERCENT | EMPLOYER<br>PERCENT |
|----------------|---------------------|---------------------|
| 1979 - 1981    | 6.00                | 6.00                |
| 1982 - 1983    | 6.00                | 6.32                |
| 1984 - 1989    | 6.00                | 6.417               |
| 1990           | 6.15                | 6.417               |
| 1991           | 6.30                | 6.417               |
| 1992           | 6.417               | 6.417               |
| 1993           | 6.55                | 6.55                |
| 1994           | 6.70                | 6.70                |

**STATE OF MONTANA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**ANALYSIS OF FUNDING PROGRESS**

*(In millions of dollars)*

| <i>Fiscal Year</i> | <i>Net Assets Available For Benefits*</i> | <i>Pension Benefit Obligation</i> | <i>Percent Funded</i> | <i>Unfunded PBO</i> | <i>Annual Covered Payroll</i> | <i>Unfunded PBO As A Percent Of Covered Payroll</i> |
|--------------------|-------------------------------------------|-----------------------------------|-----------------------|---------------------|-------------------------------|-----------------------------------------------------|
| 1988               | \$692.7                                   | \$945.7                           | 73.2%                 | \$253.0             | \$466.2                       | 54.3%                                               |
| 1989               | 762.2                                     | 1042.2                            | 73.1%                 | 280.0               | 471.2                         | 59.4%                                               |
| 1990               | 841.0                                     | 1093.8                            | 76.9%                 | 252.8               | 476.6                         | 53.0%                                               |
| 1991               | 919.5                                     | 1173.9                            | 78.3%                 | 254.4               | 510.4                         | 49.8%                                               |
| 1992               | 1007.7                                    | 1294.7                            | 77.8%                 | 287.0               | 548.1                         | 52.4%                                               |

*Expressing the net assets available for benefits as a percentage of the pension benefit obligation (PBO) provides one indication of the system's funding status. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Expressing the unfunded PBO as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the system's progress made in accumulating sufficient assets to pay benefits. Generally, the smaller this percentage, the stronger the system.*

This comparative information is only available from FY88 to FY92.

\*Net Assets at cost.



*MUNICIPAL POLICE OFFICERS'  
RETIREMENT SYSTEM*



*Helena, Montana Police Officers, approx. 1900-1902. Frank J. Edwards was mayor. Photo compliments of Montana Historical Society, Helena.*

**STATE OF MONTANA  
MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM**

**BALANCE SHEET**

**JUNE 30, 1992**

**ASSETS**

|                            |                                   |
|----------------------------|-----------------------------------|
| Cash In Treasury           | \$5,982                           |
| Interest Receivable        | 662,880                           |
| Accounts Receivable        | 3,252,988                         |
| Corporate Securities       | 19,895,232                        |
| U.S. Government Securities | 8,904,819                         |
| Canadian Securities        | 1,204,545                         |
| Short Term Investment Pool | 1,019,800                         |
| Common Stock               | 5,922,070                         |
| Leveraged Buy - Outs       | 453,810                           |
| Deferred Gains And Losses  | 6,944                             |
| <b>Total Assets</b>        | <b><u><u>\$41,329,070</u></u></b> |

**LIABILITIES**

|                                          |                                   |
|------------------------------------------|-----------------------------------|
| Accounts Payable                         | 26,322                            |
| <b>Net Assets Available For Benefits</b> | <b><u><u>\$41,302,748</u></u></b> |

**FUND BALANCE**

|                                  |                                   |
|----------------------------------|-----------------------------------|
| Annuity Savings Reserve          | \$5,964,693                       |
| Annuity Savings Interest Reserve | 3,324,334                         |
| Pension Accumulation Reserve     | 32,013,721                        |
| <b>Total Fund Balance</b>        | <b><u><u>\$41,302,748</u></u></b> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA  
MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM**

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND BALANCE**

**FOR FISCAL YEARS ENDED JUNE 30, 1992 AND JUNE 30, 1991**

|                                         | 1992                       | 1991                       |
|-----------------------------------------|----------------------------|----------------------------|
| <b>REVENUES</b>                         |                            |                            |
| Retirement Contributions                |                            |                            |
| Member                                  | \$925,482                  | \$777,005                  |
| Employer                                | 1,634,448                  | 1,458,306                  |
| State                                   | 3,201,445                  | 2,795,095                  |
| Interest Reserve Buyback                | 1,717                      | 839                        |
| Investment Income                       | 3,023,353                  | 2,939,475                  |
| Common Stock Dividends                  | 237,035                    | 229,340                    |
| <b>Total Revenues</b>                   | <u><u>\$9,023,480</u></u>  | <u><u>\$8,200,060</u></u>  |
| <b>EXPENSES</b>                         |                            |                            |
| Benefit Payments                        | \$5,329,830                | \$4,843,076                |
| Refund of Member Contributions          | 70,402                     | 77,574                     |
| Interest On Refunds                     | 17,658                     | 22,992                     |
| Employer Refund                         | 6,882                      | 27,574                     |
| Administrative Expense                  | 25,919                     | 18,278                     |
| Investment Expense                      | 4,869                      | 3,930                      |
| <b>Total Expenses</b>                   | <u><u>\$5,455,560</u></u>  | <u><u>\$4,993,424</u></u>  |
| <b>OTHER FINANCING SOURCES - (USES)</b> |                            |                            |
| Prior Year Adjustments                  | <u>\$32,134</u>            | <u>(\$227,021)</u>         |
| Excess Of Revenues Over Expenses        | 3,600,054                  | 2,979,615                  |
| Fund Balance Beginning Of Year          | <u>37,702,694</u>          | <u>34,723,079</u>          |
| <b>Fund Balance End Of Year</b>         | <u><u>\$41,302,748</u></u> | <u><u>\$37,702,694</u></u> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA**  
**MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM**

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 1992**

**RESOURCES PROVIDED BY:**

From Operations:

|                                 |                    |
|---------------------------------|--------------------|
| Excess Revenues Over Expenses   | \$3,600,054        |
| <b>Total Resources Provided</b> | <b>\$3,600,054</b> |

**RESOURCES USED BY:**

Net Increase In Working Capital

|                             |                    |
|-----------------------------|--------------------|
|                             | \$3,600,054        |
| <b>Total Resources Used</b> | <b>\$3,600,054</b> |

**ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL**

| <b>CURRENT ASSETS:</b>           | <b>YEAR ENDED JUNE 30</b> |                     | <b>INCREASE<br/>(DECREASE)</b> |
|----------------------------------|---------------------------|---------------------|--------------------------------|
|                                  | <b>1992</b>               | <b>1991</b>         |                                |
| Cash                             | \$5,982                   | \$10,663            | (\$4,681)                      |
| Accrued Interest                 | 662,880                   | 639,754             | 23,126                         |
| Accrued Contributions            | 3,252,988                 | 3,282,455           | (29,467)                       |
| Deferred Gains And Losses        | 6,944                     | 178,750             | (171,806)                      |
| Investments:                     |                           |                     |                                |
| Federal Securities               | 5,005,289                 | 3,664,235           | 1,341,054                      |
| Corporate Securities             | 22,257,663                | 21,370,103          | 887,560                        |
| Short Term Investment Pool       | 1,019,800                 | 1,646,900           | (627,100)                      |
| Common Stock                     | 5,922,070                 | 4,736,106           | 1,185,964                      |
| Securities On Loan               | 3,195,454                 | 2,192,292           | 1,003,162                      |
| <b>Total Current Assets</b>      | <b>\$41,329,070</b>       | <b>\$37,721,258</b> | <b>\$3,607,812</b>             |
| <b>CURRENT LIABILITIES:</b>      |                           |                     |                                |
| Accrued Expenses                 | 26,322                    | 18,564              | 7,758                          |
| <b>Total Current Liabilities</b> | <b>\$26,322</b>           | <b>\$18,564</b>     | <b>\$7,758</b>                 |
| <b>WORKING CAPITAL</b>           | <b>\$41,302,748</b>       | <b>\$37,702,694</b> | <b>\$3,600,054</b>             |

*The notes to the financial statements are an integral part of this statement*



**STATE OF MONTANA  
MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

**PLAN DESCRIPTION**

**1. PLAN MEMBERSHIP**

The Municipal Police Officers' Retirement System (MPORS) is a statewide defined benefit retirement plan established in 1975 for police officers employed by first and second class cities and other cities that wish to adopt the Plan. The MPORS is a multiple-employer, cost-sharing plan.

| <b>MPORS MEMBERSHIP DATA</b>                   |                      |                      |
|------------------------------------------------|----------------------|----------------------|
|                                                | <b>June 30, 1992</b> | <b>June 30, 1991</b> |
| <b><i>EMPLOYER &amp; ACTIVE MEMBERS</i></b>    |                      |                      |
| Anaconda                                       | 20                   | 19                   |
| Baker                                          | 4                    | 3                    |
| Billings                                       | 99                   | 99                   |
| Bozeman                                        | 28                   | 27                   |
| Butte                                          | 40                   | 39                   |
| Glasgow                                        | 7                    | 6                    |
| Glendive                                       | 10                   | 12                   |
| Great Falls                                    | 64                   | 61                   |
| Havre                                          | 16                   | 16                   |
| Helena                                         | 38                   | 37                   |
| Kalispell                                      | 23                   | 23                   |
| Lewistown                                      | 10                   | 10                   |
| Livingston                                     | 10                   | 10                   |
| Miles City                                     | 13                   | 14                   |
| Missoula                                       | 65                   | 63                   |
| Plains                                         | 1                    | 1                    |
| Red Lodge                                      | <u>5</u>             | <u>5</u>             |
| <b>TOTAL</b>                                   | <b>453</b>           | <b>445</b>           |
| <br><b><i>INACTIVE MEMBERS</i></b>             |                      |                      |
| Vested                                         | 4                    | 2                    |
| Non-vested                                     | <u>12</u>            | <u>10</u>            |
| <b>TOTAL</b>                                   | <b>17</b>            | <b>12</b>            |
| <br><b><i>RETIREES &amp; BENEFICIARIES</i></b> |                      |                      |
| Retirees                                       | 312                  | 305                  |
| Disabilities                                   | 99                   | 97                   |
| Survivors                                      | <u>25</u>            | <u>27</u>            |
| <b>TOTAL</b>                                   | <b>436</b>           | <b>429</b>           |

**STATE OF MONTANA  
MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

**2. PLAN BENEFITS**

**A. PENSION BENEFITS**

A member may retire with a retirement benefit after completing at least ten years of membership service and reaching age 50, *or* twenty years of membership service regardless of age. The retirement benefit, payable monthly for life, is based on the following formulas:

**MPORS BENEFIT FORMULA**

- 1) For members hired prior to July 1, 1977:  
 $50\% \times \text{Base Salary} + 1\% \times \text{Years of Service over 20}$   
(Maximum benefit is 60% of Final Average Salary)
- 2) For members hired after July 1, 1977:  
 $2.5\% \times \text{Final Average Salary (FAS)} \times \text{Years of Service over 20} + 1\% \times \text{FAS}$   
(Maximum benefit is 60% of FAS)

For members hired prior to July 1, 1977, benefits are calculated based on Base Salary which is the sum of the monthly compensation for each month in a given calendar year. For members hired on or after July 1, 1977, benefits are calculated based on FAS which is the average of the member's regular monthly pay during the last 36 months of service.

**B. DEFERRED BENEFIT**

A vested member (one who has at least 10 years of membership service) with less than 20 years of membership leaving covered employment is eligible for a service retirement allowance upon reaching age 50.

**C. DISABILITY BENEFIT**

Any member who becomes totally and permanently disabled is eligible for a disability benefit. The minimum disability benefit is one-half of FAS plus 1% of FAS for each year of service over 20 years up to a maximum of 60% of FAS.

**D. DEATH BENEFIT**

Upon the death of an active or retired member of the system, the surviving spouse (or dependent child(ren), if there is no surviving spouse) is entitled to a monthly benefit equal to one-half the member's FAS.

**STATE OF MONTANA  
MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

**E. BENEFIT ENHANCEMENTS AFTER RETIREMENT**

The monthly retirement benefit must be at least one-half of the salary of a newly confirmed police officer employed by the city that last employed the member. If a benefit falls below that minimum a supplemental benefit, funded by monies from the insurance premium tax fund, is paid to eligible benefit recipients.

The 1991 Montana Legislature enacted Senate Bill 226 which made all pension payments subject to state taxation and provided for an annual benefit adjustment payment to be made to all retirees who are residents of the State of Montana. During fiscal year 1992, eligible recipients received an increase of 2.79%.

**3. FUNDING REQUIREMENTS**

**A. MEMBER CONTRIBUTIONS**

Member contribution rates for fiscal year 1992 are set by statute at 6% (for members hired prior to July 1, 1975), 7.2% (for members hired between July 1, 1975 and June 30, 1979), and 8.7% (for member hired after July 1, 1979), of monthly compensation and are deducted from each member's salary and remitted by participating employers. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed.

**B. EMPLOYER CONTRIBUTIONS**

During fiscal year 1992, each employer contributes 13.92% of their total MPORS-covered payroll to the retirement system on a monthly basis.

**C. STATE CONTRIBUTIONS**

The State contributes 15.66% of the total compensation for all covered police officers. A single annual payment is made from the insurance premium tax fund to the retirement trust fund. The amount received for fiscal year 1992 was \$1,986,480.

**D. SUPPLEMENTAL BENEFIT CONTRIBUTIONS**

A single annual payment is received from the State Auditor's office from the insurance premium tax fund. This additional contribution funds the supplemental retirement benefits for certain retired members and their survivors. The amount received for fiscal year 1992 was \$1,214,965.

**STATE OF MONTANA  
MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

**ACTUARIAL COST METHOD**

Refer to the *Actuarial Section*.

**FUNDING REQUIREMENTS & ACTUAL CONTRIBUTIONS**

The aggregate contribution rate of 38.20% (employer, member, and State) funds the normal cost contribution rate of 23.4%. The 14.8% difference is applied to amortize the unfunded liability of the system. Employer, member and State contributions for the year totalled \$5,761,375.

**SIGNIFICANT ACCOUNTING FINANCIAL REPORTING POLICIES**

**1. METHOD OF ACCOUNTING**

Refer to the *Appendix* for standard accounting policies.

**2. VALUATION OF INVESTMENTS**

See *Appendix* for investment policies as these policies are standard for all funds. The following is the listing of investments at fiscal year end:

| <b>MPORS INVESTMENTS</b>   |    |                   |                   |
|----------------------------|----|-------------------|-------------------|
| <u>Type</u>                |    | <u>Cost</u>       | <u>Market</u>     |
| Corporate Securities       | \$ | 19,895,232        | \$ 20,807,802     |
| US Government Securities   |    | 8,904,819         | 9,334,400         |
| Canadian Securities        |    | 1,204,545         | 1,466,155         |
| Short Term Investment Pool |    | 1,019,800         | 1,019,800         |
| Mont-Comp (Common Stock)   |    | 5,922,070         | 8,644,632         |
| Leveraged Buy-Outs         |    | <u>453,810</u>    | <u>717,522</u>    |
| <b>TOTAL INVESTMENTS</b>   |    | <b>37,400,276</b> | <b>41,990,311</b> |

**STATE OF MONTANA**  
**MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM**  
**ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS**

| <b>FISCAL YEAR</b> | <b>REVENUES</b> | <b>EXPENSES</b> | <b>ANNUAL ADDITIONS</b> | <b>NET ASSETS AVAILABLE</b> |
|--------------------|-----------------|-----------------|-------------------------|-----------------------------|
| 06/30/83           | 5,102,156       | 2,624,229       | 2,477,927               | 14,708,650                  |
| 06/30/84           | 5,479,663       | 2,938,923       | 2,540,740               | 17,249,390                  |
| 06/30/85           | 5,878,694       | 3,880,545       | 1,998,149               | 19,247,539                  |
| 06/30/86           | 6,671,419       | 3,564,393       | 3,107,026               | 22,354,565                  |
| 06/30/87           | 6,893,809       | 3,768,751       | 3,125,058               | 25,479,623                  |
| 06/30/88           | 7,063,483       | 4,119,342       | 2,944,141               | 28,423,764                  |
| 06/30/89           | 7,733,095       | 4,432,970       | 3,300,125               | 31,723,889                  |
| 06/30/90           | 7,928,329       | 4,929,139       | 2,999,190               | 34,723,079                  |
| 06/30/91           | 8,200,060       | 5,220,445       | 2,979,615               | 37,702,694                  |
| 06/30/92           | 9,023,480       | 5,423,426       | 3,600,054               | 41,302,748                  |

**CONTRIBUTION RATES**

| <b>FISCAL YEAR</b> | <b>EMPLOYEE PERCENT</b> | <b>EMPLOYER PERCENT</b> | <b>STATE PERCENT</b> |
|--------------------|-------------------------|-------------------------|----------------------|
| 1979 - 1981        | 6.00/7.5                | 14.00                   | 14.00                |
| 1982 - 1985        | 6.00/7.5                | 14.04                   | 14.04                |
| 1986 - 1991        | 6.00/7.5                | 13.02                   | 15.06                |
| 1992               | 6.00/7.2/8.7            | 13.92                   | 15.66                |

**STATE OF MONTANA  
MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM**

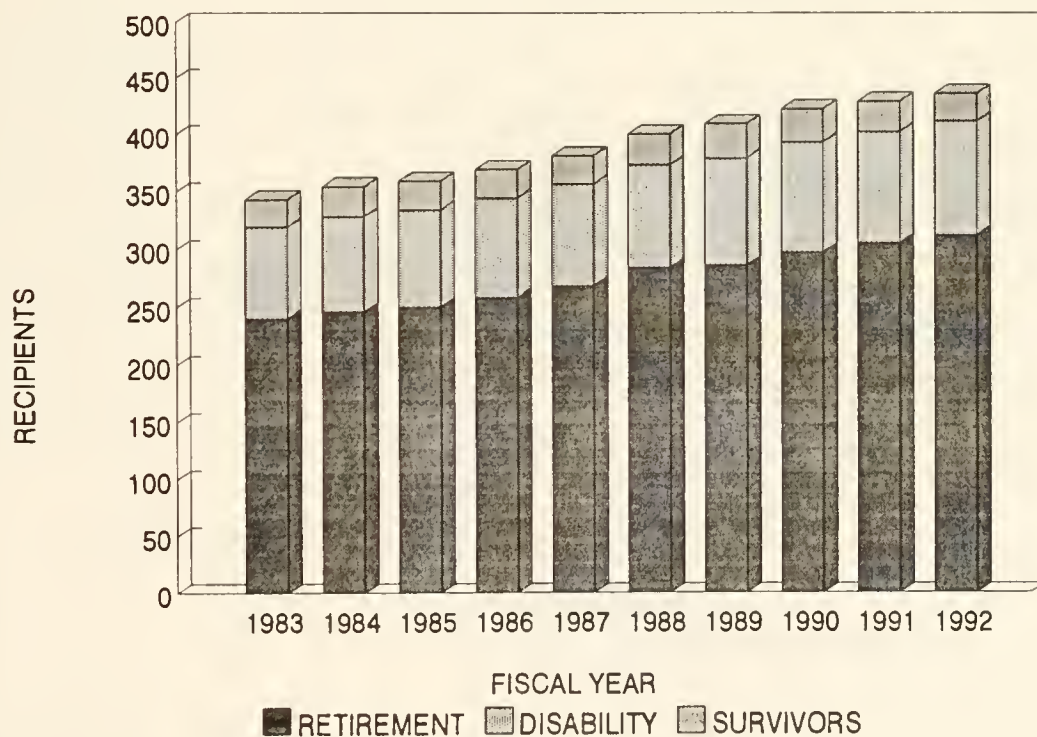
**MEMBERSHIP**

| Fiscal<br>Year | Active<br>Members | Inactive<br>Members | Total |
|----------------|-------------------|---------------------|-------|
| 06/30/83       | 445               | 5                   | 450   |
| 06/30/84       | 435               | 5                   | 440   |
| 06/30/85       | 436               | 7                   | 443   |
| 06/30/86       | 436               | 7                   | 443   |
| 06/30/87       | 436               | 12                  | 448   |
| 06/30/88       | 427               | 12                  | 439   |
| 06/30/89       | 434               | 10                  | 444   |
| 06/30/90       | 441               | 9                   | 450   |
| 06/30/91       | 445               | 12                  | 457   |
| 06/30/92       | 453               | 17                  | 470   |



**STATE OF MONTANA**  
**MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM**  
**RETIRED MEMBERS AND BENEFIT RECIPIENTS**

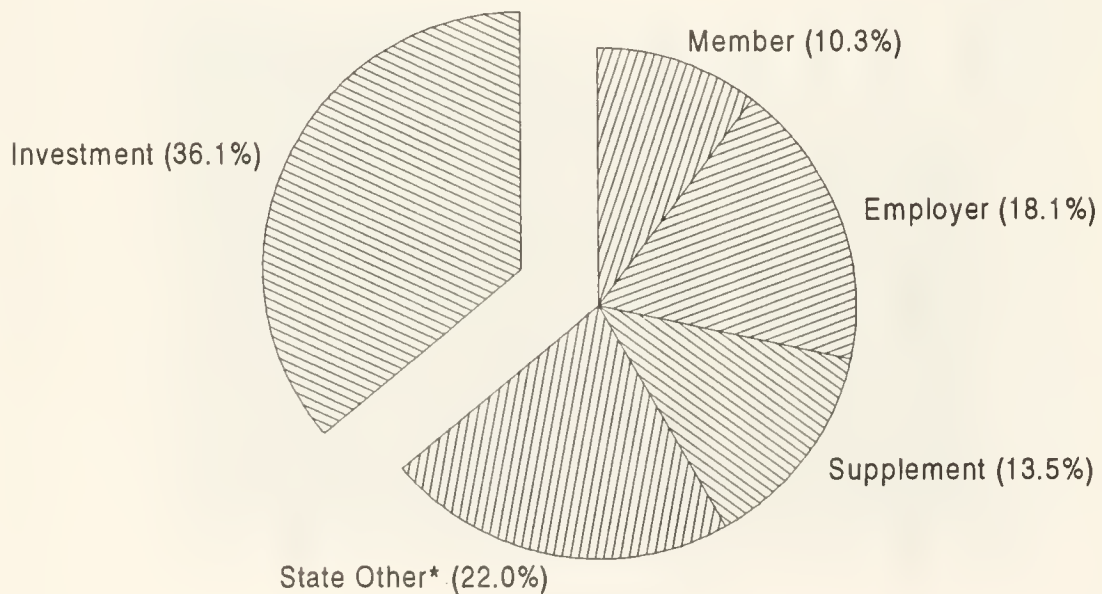
| <b>Fiscal Year</b> | <b>Retirement</b> | <b>Disability</b> | <b>Survivors</b> | <b>Total</b> |
|--------------------|-------------------|-------------------|------------------|--------------|
| 06/30/83           | 240               | 79                | 24               | 343          |
| 06/30/84           | 246               | 82                | 26               | 354          |
| 06/30/85           | 250               | 84                | 25               | 359          |
| 06/30/86           | 258               | 86                | 25               | 369          |
| 06/30/87           | 268               | 88                | 25               | 381          |
| 06/30/88           | 284               | 89                | 27               | 400          |
| 06/30/89           | 286               | 93                | 30               | 409          |
| 06/30/90           | 297               | 96                | 29               | 422          |
| 06/30/91           | 305               | 97                | 27               | 429          |
| 06/30/92           | 312               | 99                | 25               | 436          |



**STATE OF MONTANA**  
**MUNICIPAL POLICE OFFICERS' RETIRMENT SYSTEM**  
**COMPARATIVE SUMMARY OF REVENUES BY SOURCE**

| <i>Fiscal Year</i> | <i>Contributions</i> |                 | <i>State</i>      |               | <i>Investment</i> | <i>Total</i> |
|--------------------|----------------------|-----------------|-------------------|---------------|-------------------|--------------|
|                    | <i>Member</i>        | <i>Employer</i> | <i>Supplement</i> | <i>Other*</i> | <i>Income</i>     |              |
| 06/30/83           | 525,904              | 1,283,056       | 700,904           | 1,200,253     | 1,306,008         | 5,016,125    |
| 06/30/84           | 553,306              | 1,234,377       | 819,257           | 1,277,263     | 1,575,775         | 5,459,978    |
| 06/30/85           | 577,408              | 1,306,400       | 877,824           | 1,223,420     | 1,893,642         | 5,878,694    |
| 06/30/86           | 631,450              | 1,201,219       | 913,374           | 1,425,692     | 2,499,684         | 6,671,419    |
| 06/30/87           | 638,083              | 1,237,493       | 961,504           | 1,537,632     | 2,519,097         | 6,893,809    |
| 06/30/88           | 671,626              | 1,254,341       | 1,003,643         | 1,573,901     | 2,559,971         | 7,063,482    |
| 06/30/89           | 670,186              | 1,409,323       | 1,178,523         | 1,603,474     | 2,855,989         | 7,717,495    |
| 06/30/90           | 714,044              | 1,341,047       | 1,207,851         | 1,648,599     | 3,016,789         | 7,928,330    |
| 06/30/91           | 777,844              | 1,458,306       | 1,067,736         | 1,727,359     | 3,168,815         | 8,200,060    |
| 06/30/92           | 927,199              | 1,634,448       | 1,214,965         | 1,986,480     | 3,260,388         | 9,023,480    |

**REVENUES FOR FISCAL YEAR 92**



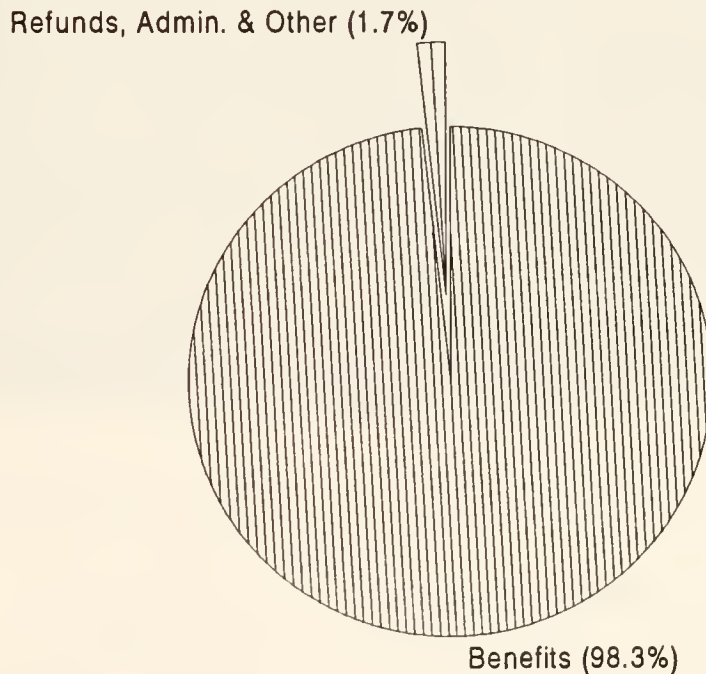
\*Includes percent of salary and retirement adjustment.



**STATE OF MONTANA**  
**MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM**  
**COMPARATIVE SUMMARY OF EXPENSES BY TYPE**

| <i>Fiscal Year</i> | <i>Benefits</i> | <i>Refunds</i> | <i>Admin Expenses*</i> | <i>Other**</i> | <i>Total</i> |
|--------------------|-----------------|----------------|------------------------|----------------|--------------|
| 06/30/83           | 2,743,215       | 14,819         | 15,676                 | (149,481)      | 2,624,229    |
| 06/30/84           | 2,926,085       | 71,241         | 20,637                 | (79,040)       | 2,938,923    |
| 06/30/85           | 3,151,287       | 108,187        | 18,734                 | 602,337        | 3,880,545    |
| 06/30/86           | 3,463,618       | 79,197         | 24,191                 | (2,613)        | 3,564,393    |
| 06/30/87           | 3,696,827       | 45,680         | 26,244                 | 0              | 3,768,751    |
| 06/30/88           | 3,989,794       | 94,404         | 22,849                 | 12,295         | 4,119,342    |
| 06/30/89           | 4,272,625       | 132,755        | 20,077                 | 7,513          | 4,432,970    |
| 06/30/90           | 4,638,412       | 239,216        | 19,626                 | 31,885         | 4,929,139    |
| 06/30/91           | 4,843,076       | 100,565        | 22,208                 | 254,596        | 5,220,445    |
| 06/30/92           | 5,329,830       | 88,060         | 30,788                 | (25,252)       | 5,423,426    |

**EXPENSES FOR FISCAL YEAR 92**



\*Includes Investment Expense

\*\*Includes Prior Year Adjustments

**STATE OF MONTANA  
MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM**

**ANALYSIS OF FUNDING PROGRESS**

*(In millions of dollars)*

| <i>Fiscal Year</i> | <i>Net Assets Available For Benefits*</i> | <i>Pension Benefit Obligation</i> | <i>Percent Funded</i> | <i>Unfunded PBO</i> | <i>Annual Covered Payroll</i> | <i>Unfunded PBO As A Percent Of Covered Payroll</i> |
|--------------------|-------------------------------------------|-----------------------------------|-----------------------|---------------------|-------------------------------|-----------------------------------------------------|
| 1988               | \$28.4                                    | \$63.2                            | 44.9%                 | \$34.8              | \$9.8                         | 355.1%                                              |
| 1989               | 31.7                                      | 66.5                              | 47.7%                 | 34.8                | 9.9                           | 351.5%                                              |
| 1990               | 34.7                                      | 70.3                              | 49.4%                 | 35.6                | 10.5                          | 339.0%                                              |
| 1991               | 37.7                                      | 76.0                              | 49.6%                 | 38.2                | 12.1                          | 316.2%                                              |
| 1992               | 41.3                                      | 78.1                              | 52.9%                 | 36.8                | 11.4                          | 322.9%                                              |

*Expressing the net assets available for benefits as a percentage of the pension benefit obligation (PBO) provides one indication of the system's funding status. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Expressing the unfunded PBO as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the system's progress made in accumulating sufficient assets to pay benefits. Generally, the smaller this percentage, the stronger the system.*

This comparative information is only available from FY88 to FY92.

\*Net Assets at cost.

*GAME WARDENS'  
RETIREMENT SYSTEM*



*First car of wild elk ever shipped by P.W. Nelson, Deputy Game Warden.  
Yellowstone Nation Park, March 8, 1910. Photo compliments of Montana  
Historical Society, Helena.*

**STATE OF MONTANA  
GAME WARDENS' RETIREMENT SYSTEM**

**BALANCE SHEET**

**JUNE 30, 1992**

**ASSETS**

|                            |                     |
|----------------------------|---------------------|
| Cash In Treasury           | \$2,981             |
| Interest Receivable        | 177,765             |
| Accounts Receivable        | 33,591              |
| Corporate Securities       | 5,783,208           |
| U.S. Government Securities | 2,974,900           |
| Canadian Securities        | 172,228             |
| Short Term Investment Pool | 850,800             |
| Common Stock               | 2,466,067           |
| Leveraged Buy-Outs         | 113,454             |
| Deferred Gains And Losses  | 37,019              |
| <b>Total Assets</b>        | <b>\$12,612,013</b> |

**LIABILITIES**

|                                          |                     |
|------------------------------------------|---------------------|
| Accounts Payable                         | 3,819               |
| <b>Net Assets Available For Benefits</b> | <b>\$12,608,194</b> |

**FUND BALANCE**

|                                    |                     |
|------------------------------------|---------------------|
| Annuity Savings Reserve            | \$1,808,885         |
| Annuity Savings Interest Reserve   | 1,347,407           |
| Pension Accumulation Reserve       | 9,447,104           |
| Post Retirement Adjustment Reserve | 4,798               |
| <b>Total Fund Balance</b>          | <b>\$12,608,194</b> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA  
GAME WARDENS' RETIREMENT SYSTEM  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND BALANCE**

**FOR FISCAL YEARS ENDED JUNE 30, 1992 AND JUNE 30, 1991**

|                                         | 1992                       | 1991                       |
|-----------------------------------------|----------------------------|----------------------------|
| <b>REVENUES</b>                         |                            |                            |
| Retirement Contributions                |                            |                            |
| Member                                  | \$210,712                  | \$194,632                  |
| Employer                                | 185,745                    | 175,548                    |
| State                                   | 18,439                     | 0                          |
| Interest Reserve Buyback                | 52                         | 1,607                      |
| Investment Income                       | 918,454                    | 848,794                    |
| Common Stock Dividends                  | 107,101                    | 109,125                    |
| Fines And Forfeitures                   | 270,845                    | 295,346                    |
| <b>Total Revenues</b>                   | <u><u>\$1,711,348</u></u>  | <u><u>\$1,625,052</u></u>  |
| <b>EXPENSES</b>                         |                            |                            |
| Benefit Payments                        | \$778,714                  | \$717,300                  |
| Refund of Member Contributions          | 10,066                     | 2,066                      |
| Interest On Refunds                     | 1,026                      | 47                         |
| Employer Refund                         | 804                        | 0                          |
| Administrative Expense                  | 3,703                      | 3,482                      |
| Investment Expense                      | 1,396                      | 1,163                      |
| <b>Total Expenses</b>                   | <u><u>\$795,709</u></u>    | <u><u>\$724,058</u></u>    |
| <b>OTHER FINANCING SOURCES - (USES)</b> |                            |                            |
| Prior Year Adjustments                  | \$0                        | (\$59)                     |
| Excess Of Revenues Over Expenses        | 915,639                    | 900,935                    |
| Fund Balance Beginning Of Year          | 11,692,555                 | 10,791,620                 |
| <b>Fund Balance End Of Year</b>         | <u><u>\$12,608,194</u></u> | <u><u>\$11,692,555</u></u> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA  
GAME WARDENS' RETIREMENT SYSTEM**

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 1992**

**RESOURCES PROVIDED BY:**

From Operations:

|                                 |                  |
|---------------------------------|------------------|
| Excess Revenues Over Expenses   | \$915,639        |
| <b>Total Resources Provided</b> | <b>\$915,639</b> |

**RESOURCES USED BY:**

|                                 |                  |
|---------------------------------|------------------|
| Net Increase In Working Capital | 915,639          |
| <b>Total Resources Used</b>     | <b>\$915,639</b> |

**ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL**

| <b>CURRENT ASSETS:</b>           | <b>YEAR ENDED JUNE 30</b> |                     | <b>INCREASE<br/>(DECREASE)</b> |
|----------------------------------|---------------------------|---------------------|--------------------------------|
|                                  | <b>1992</b>               | <b>1991</b>         |                                |
| Cash                             | \$2,981                   | \$22,356            | (\$19,375)                     |
| Accrued Interest                 | 177,765                   | 213,974             | (36,209)                       |
| Accrued Contributions            | 33,591                    | 21,119              | 12,472                         |
| Deferred Gains And Losses        | 37,019                    | 92,786              | (55,767)                       |
| Investments:                     |                           |                     |                                |
| Mortgages                        | 0                         | 10,768              | (10,768)                       |
| Federal Securities               | 1,861,841                 | 953,180             | 908,661                        |
| Corporate Securities             | 6,116,608                 | 6,941,789           | (825,181)                      |
| Short Term Investment Pool       | 850,800                   | 756,400             | 94,400                         |
| Common Stock                     | 2,466,067                 | 1,923,305           | 542,762                        |
| Securities On Loan               | 1,065,341                 | 760,452             | 304,889                        |
| <b>Total Current Assets</b>      | <b>\$12,612,013</b>       | <b>\$11,696,129</b> | <b>\$915,884</b>               |
| <b>CURRENT LIABILITIES:</b>      |                           |                     |                                |
| Accrued Expenses                 | 3,819                     | 3,574               | 245                            |
| <b>Total Current Liabilities</b> | <b>\$3,819</b>            | <b>\$3,574</b>      | <b>\$245</b>                   |
| <b>WORKING CAPITAL</b>           | <b>\$12,608,194</b>       | <b>\$11,692,555</b> | <b>\$915,639</b>               |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA  
GAME WARDENS' RETIREMENT SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS**

**PLAN DESCRIPTION**

**1. PLAN MEMBERSHIP**

The Game Wardens' Retirement System (GWRS) is a statewide defined benefit retirement plan established in 1963 for state game wardens and warden supervisory personnel whose salary is paid out of the Department of Fish, Wildlife & Parks' monies. The GWRS is a single-employer, cost-sharing plan.

| <b>GWRS MEMBERSHIP DATA</b>          |                      |                      |
|--------------------------------------|----------------------|----------------------|
|                                      | <b>June 30, 1992</b> | <b>June 30, 1991</b> |
| <b>EMPLOYER &amp; ACTIVE MEMBERS</b> |                      |                      |
| State                                | <u>87</u>            | <u>91</u>            |
| <b>TOTAL</b>                         | <b>87</b>            | <b>91</b>            |
| <b>INACTIVE MEMBERS</b>              |                      |                      |
| Vested                               | 0                    | 0                    |
| Non-vested                           | <u>3</u>             | <u>4</u>             |
| <b>TOTAL</b>                         | <b>3</b>             | <b>4</b>             |
| <b>RETIREES &amp; BENEFICIARIES</b>  |                      |                      |
| Retirees                             | 49                   | 47                   |
| Disabilities                         | 9                    | 9                    |
| Survivors                            | <u>3</u>             | <u>3</u>             |
| <b>TOTAL</b>                         | <b>61</b>            | <b>59</b>            |

**2. PLAN BENEFITS**

**A. PENSION BENEFITS**

A member may retire with a service retirement benefit after both completing twenty years of credited service and attaining the minimum service retirement age of 50. The retirement benefit, payable monthly for life (with optional benefits available for the joint life of a survivor), is calculated as follows:

|                                                           |
|-----------------------------------------------------------|
| <b>GWRS BENEFIT FORMULA</b>                               |
| <b>2% X Years of Service X Final Average Salary (FAS)</b> |

*STATE OF MONTANA  
GAME WARDENS' RETIREMENT SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS*

(continued)

FAS is the member's highest average salary during any 36 consecutive months of credited service.

B. DEFERRED BENEFIT

A vested member (one who has completed ten years of service), involuntarily terminated before attaining retirement age, is eligible for a deferred benefit at age 55, provided the accumulated contributions are left on deposit. If the inactive member should die before reaching age 55, the beneficiary is entitled to a refund of the member's contributions and interest.

C. DISABILITY BENEFIT

Any active member who becomes totally and permanently disabled is eligible for a disability benefit. The amount of the benefit is either:

- 1) the actuarial equivalent of the retirement benefit, *or*
- 2) for members with more than 10 years of service and whose disability is a direct result of service in the line of duty, a monthly benefit equal to one-half of final salary.

D. DEATH BENEFIT

Upon the death of an actively employed member of the system, surviving beneficiaries are entitled to either:

- 1) in the case of a *work-related death*, a monthly benefit equal to one-half of the member's final salary (reduced by any amounts paid under the Workers' Compensation Act) *or*
- 2) in the case of *death from other causes*, a monthly benefit based upon the salary, age and service of the member. The beneficiary(ies) may elect a refund of the member's accumulated contributions and interest in lieu of the monthly benefit.

E. BENEFIT ENHANCEMENTS AFTER RETIREMENT

An automatic post retirement adjustment provides permanent benefit increases funded from annual investment earnings exceeding the actuarially required 8% yield. These increases are paid to eligible recipients based on years of service, current age and the retirement option chosen. In January 1992, the average eligible recipient received an increase of 0.84%.

The 1991 Montana Legislature enacted Senate Bill 226 which made all pension payments subject to state taxation and provided for an annual benefit adjustment payment to be made to all retirees who are residents of the State of Montana. During fiscal year 1992, eligible recipients received an increase of 2.69%.



**STATE OF MONTANA  
GAME WARDENS' RETIREMENT SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS**

(continued)

**3. FUNDING REQUIREMENTS**

**A. MEMBER CONTRIBUTIONS**

Member contribution rates for fiscal year 1992 are set by statute at 7.9% of total monthly compensation and are deducted from each member's salary and remitted by the employer. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed.

**B. EMPLOYER CONTRIBUTIONS**

During fiscal year 1992, the employer contributes 7.15% of their total GWRS-covered payroll to the retirement system on a monthly basis.

**C. FINES & FORFEITURES**

Certain monies collected as fines and forfeited bonds are deposited in the trust fund until such time as there is no longer any unfunded liability to the system. The amount received for fiscal year 1992 was \$270,845.

**ACTUARIAL COST METHOD**

Refer to the *Actuarial Section*.

**FUNDING REQUIREMENTS & ACTUAL CONTRIBUTIONS**

The aggregate contribution rate of 25.15% (employer, member, fines and forfeitures) funds the normal cost contribution rate of 16.04%. The 9.11% difference is applied to amortize the unfunded liability of the system. Employer, member contributions and including fines and forfeitures for the year totalled \$685,741.

**SIGNIFICANT ACCOUNTING & FINANCIAL REPORTING POLICIES**

**1. METHOD OF ACCOUNTING**

Refer to the *Appendix* for standard accounting policies.

**2. VALUATION OF INVESTMENTS**

See *Appendix* for investment policies as these policies are standard for all funds. The following is the listing of investments at fiscal year end:

**STATE OF MONTANA  
GAME WARDENS' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

| <b>GWRS INVESTMENTS</b>    |                   |                   |
|----------------------------|-------------------|-------------------|
| <u>Type</u>                | <u>Cost</u>       | <u>Market</u>     |
| Corporate Securities       | \$ 5,783,208      | \$ 6,138,260      |
| US Government Securities   | 2,974,900         | 3,078,240         |
| Canadian Securities        | 172,228           | 202,274           |
| Short Term Investment Pool | 850,800           | 850,800           |
| Mont-Comp (Common Stock)   | 2,466,067         | 3,933,203         |
| Leveraged Buy-Outs         | <u>113,453</u>    | <u>179,384</u>    |
| <b>TOTAL INVESTMENTS</b>   | <b>12,360,656</b> | <b>14,382,161</b> |

**STATE OF MONTANA  
GAME WARDENS' RETIREMENT SYSTEM**

**ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS**

| <b>FISCAL<br/>YEAR</b> | <b>REVENUES</b> | <b>EXPENSES</b> | <b>ANNUAL<br/>ADDITIONS</b> | <b>NET ASSETS<br/>AVAILABLE</b> |
|------------------------|-----------------|-----------------|-----------------------------|---------------------------------|
| 06/30/83               | 968,206         | 281,934         | 686,272                     | 4,520,092                       |
| 06/30/84               | 1,082,039       | 301,859         | 780,180                     | 5,300,272                       |
| 06/30/85               | 1,154,724       | 308,165         | 846,559                     | 6,146,831                       |
| 06/30/86               | 1,344,616       | 400,449         | 944,167                     | 7,090,998                       |
| 06/30/87               | 1,321,877       | 471,545         | 850,332                     | 7,941,330                       |
| 06/30/88               | 1,486,942       | 472,993         | 1,013,949                   | 8,955,279                       |
| 06/30/89               | 1,571,537       | 628,597         | 942,940                     | 9,898,219                       |
| 06/30/90               | 1,593,322       | 699,920         | 893,402                     | 10,791,620                      |
| 06/30/91               | 1,625,052       | 724,117         | 900,935                     | 11,692,555                      |
| 06/30/92               | 1,711,348       | 795,709         | 915,639                     | 12,608,194                      |

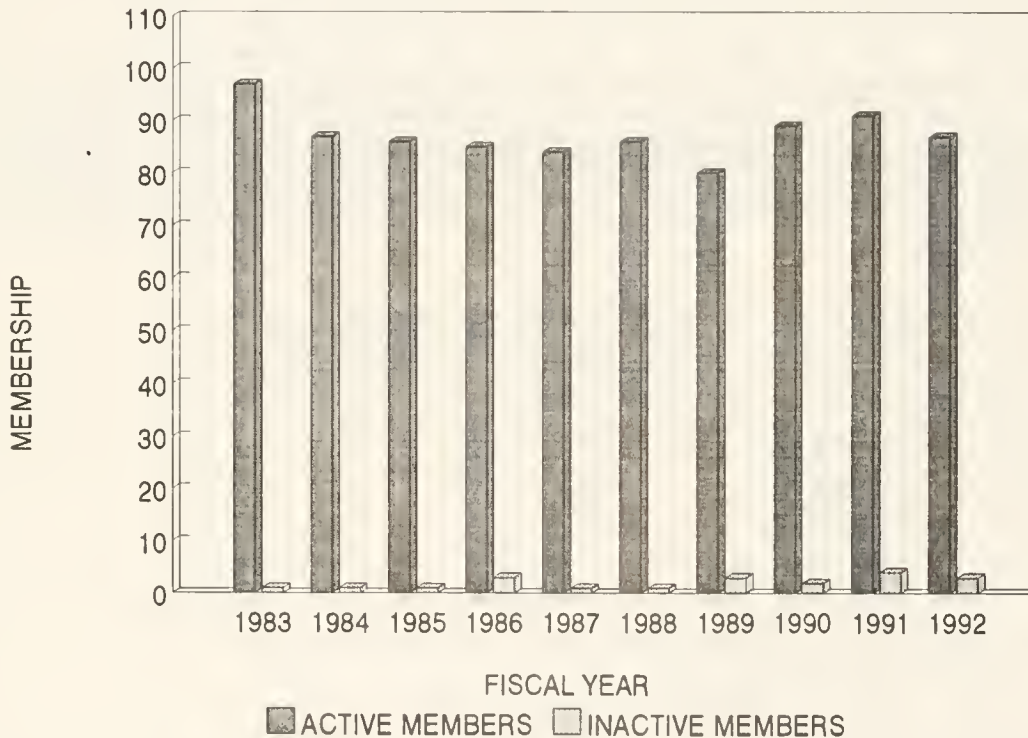
**CONTRIBUTION RATES**

| <b>FISCAL<br/>YEAR</b> | <b>EMPLOYEE<br/>PERCENT</b> | <b>EMPLOYER<br/>PERCENT</b> |
|------------------------|-----------------------------|-----------------------------|
| 1979 - 1981            | 7.00                        | 7.00                        |
| 1982 - 1985            | 7.00                        | 7.15                        |
| 1986 - 1992            | 7.90                        | 7.15                        |

**STATE OF MONTANA  
GAME WARDENS' RETIREMENT SYSTEM**

**MEMBERSHIP**

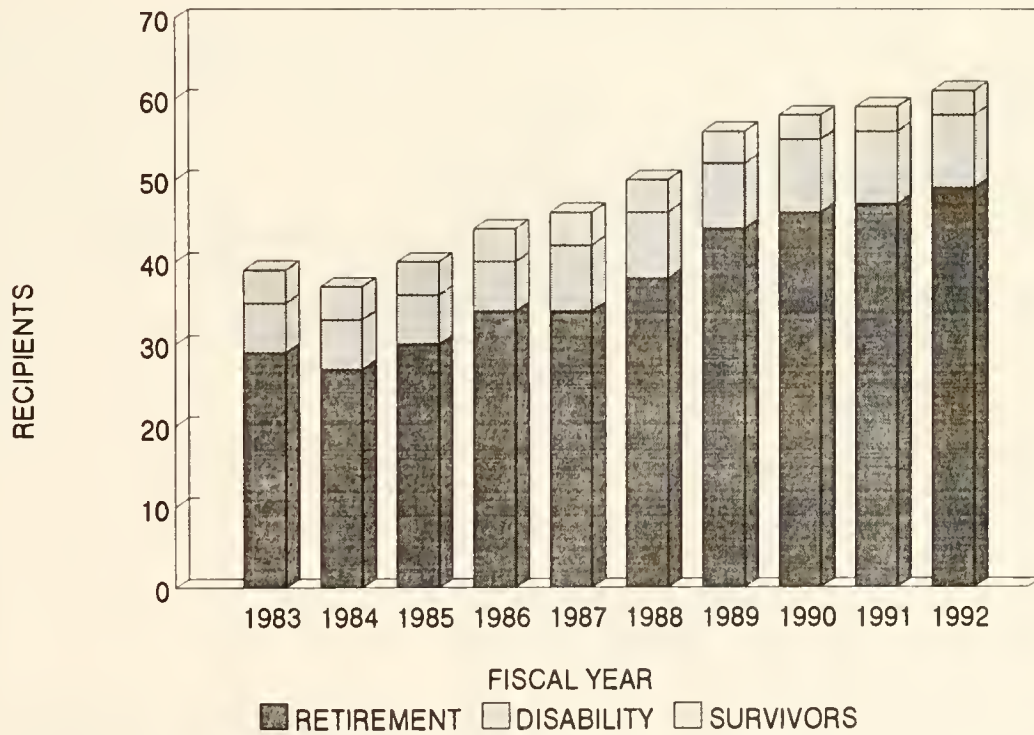
| <b>Fiscal Year</b> | <b>Active Members</b> | <b>Inactive Members</b> | <b>Total</b> |
|--------------------|-----------------------|-------------------------|--------------|
| 06/30/83           | 97                    | 1                       | 98           |
| 06/30/84           | 87                    | 1                       | 88           |
| 06/30/85           | 86                    | 1                       | 87           |
| 06/30/86           | 85                    | 3                       | 88           |
| 06/30/87           | 84                    | 1                       | 85           |
| 06/30/88           | 86                    | 1                       | 87           |
| 06/30/89           | 80                    | 3                       | 83           |
| 06/30/90           | 89                    | 2                       | 91           |
| 06/30/91           | 91                    | 4                       | 95           |
| 06/30/92           | 87                    | 3                       | 90           |



**STATE OF MONTANA  
GAME WARDENS' RETIREMENT SYSTEM**

**RETIRED MEMBERS AND BENEFIT RECIPIENTS**

| <b>Fiscal Year</b> | <b>Retirement</b> | <b>Disability</b> | <b>Survivors</b> | <b>Total</b> |
|--------------------|-------------------|-------------------|------------------|--------------|
| 06/30/83           | 29                | 6                 | 4                | 39           |
| 06/30/84           | 27                | 6                 | 4                | 37           |
| 06/30/85           | 30                | 6                 | 4                | 40           |
| 06/30/86           | 34                | 6                 | 4                | 44           |
| 06/30/87           | 34                | 8                 | 4                | 46           |
| 06/30/88           | 38                | 8                 | 4                | 50           |
| 06/30/89           | 44                | 8                 | 4                | 56           |
| 06/30/90           | 46                | 9                 | 3                | 58           |
| 06/30/91           | 47                | 9                 | 3                | 59           |
| 06/30/92           | 49                | 9                 | 3                | 61           |

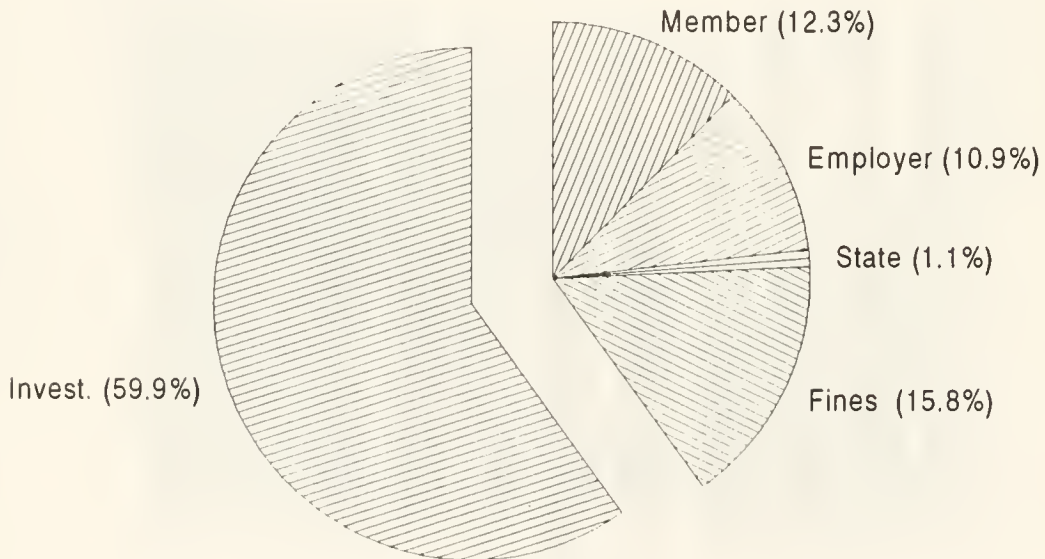


**STATE OF MONTANA  
GAME WARDENS' RETIREMENT SYSTEM**

**COMPARATIVE SUMMARY OF REVENUES BY SOURCE**

| <i>Fiscal<br/>Year</i> | <i>Contributions</i> |                 |              | <i>Fines</i> | <i>Investment</i> | <i>Total</i> |
|------------------------|----------------------|-----------------|--------------|--------------|-------------------|--------------|
|                        | <i>Member</i>        | <i>Employer</i> | <i>State</i> |              | <i>Income</i>     |              |
| 06/30/83               | 161,460              | 163,389         | 0            | 233,833      | 409,524           | 968,206      |
| 06/30/84               | 154,959              | 157,626         | 0            | 272,841      | 496,613           | 1,082,039    |
| 06/30/85               | 151,341              | 153,074         | 0            | 260,860      | 589,449           | 1,154,724    |
| 06/30/86               | 177,302              | 158,392         | 0            | 221,265      | 787,657           | 1,344,616    |
| 06/30/87               | 193,279              | 172,155         | 0            | 218,582      | 737,861           | 1,321,877    |
| 06/30/88               | 246,066              | 170,626         | 0            | 221,358      | 848,892           | 1,486,942    |
| 06/30/89               | 227,577              | 177,998         | 0            | 236,930      | 929,032           | 1,571,537    |
| 06/30/90               | 203,877              | 252,561         | 0            | 207,232      | 929,652           | 1,593,322    |
| 06/30/91               | 196,239              | 175,548         | 0            | 295,346      | 957,919           | 1,625,052    |
| 06/30/92               | 210,764              | 185,745         | 18,439       | 270,845      | 1,025,555         | 1,711,348    |

**REVENUES FOR FISCAL YEAR 92**



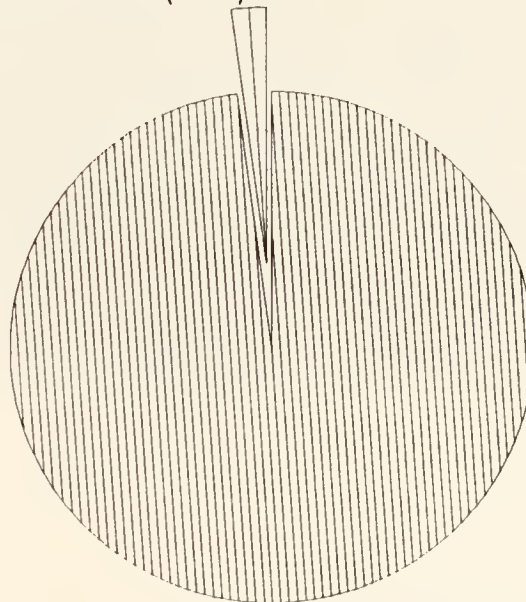
**STATE OF MONTANA  
GAME WARDENS' RETIREMENT SYSTEM**

**COMPARATIVE SUMMARY OF EXPENSES BY TYPE**

| <i>Fiscal<br/>Year</i> | <i>Benefits</i> | <i>Refunds</i> | <i>Admin<br/>Expenses*</i> | <i>Other**</i> | <i>Total</i> |
|------------------------|-----------------|----------------|----------------------------|----------------|--------------|
| 06/30/83               | 278,240         | 16             | 3,768                      | (90)           | 281,934      |
| 06/30/84               | 298,787         | 325            | 4,510                      | (1,763)        | 301,859      |
| 06/30/85               | 301,159         | 3,776          | 4,199                      | (969)          | 308,165      |
| 06/30/86               | 383,440         | 16,353         | 5,192                      | (4,536)        | 400,449      |
| 06/30/87               | 408,698         | 56,728         | 6,119                      | 0              | 471,545      |
| 06/30/88               | 432,327         | 35,659         | 6,707                      | (1,700)        | 472,993      |
| 06/30/89               | 544,591         | 49,590         | 3,971                      | 30,445         | 628,597      |
| 06/30/90               | 685,390         | 1,287          | 3,965                      | 9,278          | 699,920      |
| 06/30/91               | 717,300         | 2,113          | 4,645                      | 59             | 724,117      |
| 06/30/92               | 778,714         | 11,092         | 5,099                      | 804            | 795,709      |

**EXPENSES FOR FISCAL YEAR 92**

Refunds, Admin. & Other (2.1%)



Benefits (97.9%)

\*Includes Investment Expense

\*\*Includes Prior Year Adjustments

**STATE OF MONTANA  
GAME WARDENS' RETIREMENT SYSTEM**

**ANALYSIS OF FUNDING PROGRESS**

*(In millions of dollars)*

| <i>Fiscal Year</i> | <i>Net Assets Available For Benefits*</i> | <i>Pension Benefit Obligation</i> | <i>Percent Funded</i> | <i>Unfunded PBO</i> | <i>Annual Covered Payroll</i> | <i>Unfunded PBO As A Percent Of Covered Payroll</i> |
|--------------------|-------------------------------------------|-----------------------------------|-----------------------|---------------------|-------------------------------|-----------------------------------------------------|
| 1988               | \$9.0                                     | \$11.0                            | 81.8%                 | \$2.0               | \$2.2                         | 90.9%                                               |
| 1989               | 9.9                                       | 12.0                              | 82.5%                 | 2.1                 | 2.0                           | 105.0%                                              |
| 1990               | 10.8                                      | 12.9                              | 83.7%                 | 2.1                 | 2.2                           | 95.5%                                               |
| 1991               | 11.7                                      | 13.5                              | 86.9%                 | 1.8                 | 2.4                           | 74.6%                                               |
| 1992               | 12.6                                      | 14.2                              | 88.7%                 | 1.6                 | 2.5                           | 65.2%                                               |

*Expressing the net assets available for benefits as a percentage of the pension benefit obligation (PBO) provides one indication of the system's funding status. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Expressing the unfunded PBO as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the system's progress made in accumulating sufficient assets to pay benefits. Generally, the smaller this percentage, the stronger the system.*

This comparative information is only available from FY88 to FY92.

\*Net Assets at cost.



*SHERIFFS'*  
*RETIREMENT SYSTEM*



*Montana Sheriffs, Lewis & Clark County Courthouse steps. Helena -  
April 6, 1896. Photo compliments of Montana Historical Society, Helena.*

**STATE OF MONTANA  
SHERIFFS' RETIREMENT SYSTEM**

**BALANCE SHEET**

**JUNE 30, 1992**

**ASSETS**

|                            |                     |
|----------------------------|---------------------|
| Cash In Treasury           | \$18,640            |
| Interest Receivable        | 606,857             |
| Accounts Receivable        | 166,604             |
| Corporate Securities       | 20,045,825          |
| U.S. Government Securities | 11,830,295          |
| Canadian Securities        | 1,121,889           |
| Short Term Investment Pool | 1,316,200           |
| Common Stock               | 5,608,293           |
| Leveraged Buy-Outs         | 453,811             |
| Deferred Gains And Losses  | 119,612             |
| <b>Total Assets</b>        | <b>\$41,288,026</b> |

**LIABILITIES**

|                                          |                     |
|------------------------------------------|---------------------|
| Accounts Payable                         | 10,310              |
| <b>Net Assets Available For Benefits</b> | <b>\$41,277,716</b> |

**FUND BALANCE**

|                                    |                     |
|------------------------------------|---------------------|
| Annuity Savings Reserve            | \$6,773,336         |
| Annuity Savings Interest Reserve   | 3,721,867           |
| Pension Accumulation Reserve       | 30,764,297          |
| Post Retirement Adjustment Reserve | 18,216              |
| <b>Total Fund Balance</b>          | <b>\$41,277,716</b> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA  
SHERIFFS' RETIREMENT SYSTEM  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND BALANCE**

**FOR FISCAL YEARS ENDED JUNE 30, 1992 AND JUNE 30, 1991**

|                                          | <i>1992</i>         | <i>1991</i>         |
|------------------------------------------|---------------------|---------------------|
| <b>REVENUES</b>                          |                     |                     |
| Retirement Contributions                 |                     |                     |
| Member                                   | \$1,088,881         | \$958,636           |
| Employer                                 | 1,088,347           | 989,827             |
| State                                    | 18,132              | 0                   |
| Interest Reserve Buyback                 | 356                 | 17,854              |
| Investment Income                        | 3,157,480           | 2,889,870           |
| Common Stock Dividends                   | 252,742             | 263,946             |
| <b>Total Revenues</b>                    | <b>\$5,605,938</b>  | <b>\$5,120,133</b>  |
| <b>EXPENSES</b>                          |                     |                     |
| Benefit Payments                         | \$781,090           | \$729,112           |
| Refund of Member Contributions           | 187,636             | 394,350             |
| Interest On Refunds                      | 83,421              | 139,800             |
| Employer Refund                          | 0                   | 6,224               |
| Administrative Expense                   | 9,874               | 13,056              |
| Investment Expense                       | 4,915               | 3,803               |
| <b>Total Expenses</b>                    | <b>\$1,066,936</b>  | <b>\$1,286,345</b>  |
| <b>OTHER FINANCING SOURCES -- (USES)</b> |                     |                     |
| Prior Year Adjustments                   | \$92                | (\$4,233)           |
| Excess Of Revenues Over Expenses         | 4,539,094           | 3,829,555           |
| Fund Balance Beginning Of Year           | 36,738,622          | 32,909,067          |
| <b>Fund Balance End Of Year</b>          | <b>\$41,277,716</b> | <b>\$36,738,622</b> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA  
SHERIFFS' RETIREMENT SYSTEM**

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 1992**

**RESOURCES PROVIDED BY:**

From Operations:

|                                 |                    |
|---------------------------------|--------------------|
| Excess Revenues Over Expenses   | \$4,539,094        |
| <b>Total Resources Provided</b> | <b>\$4,539,094</b> |

**RESOURCES USED BY:**

|                                 |                    |
|---------------------------------|--------------------|
| Net Increase In Working Capital | 4,539,094          |
| <b>Total Resources Used</b>     | <b>\$4,539,094</b> |

**ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL**

|                                  | <b>YEAR ENDED JUNE 30</b> |                     | <b>INCREASE</b>    |
|----------------------------------|---------------------------|---------------------|--------------------|
| <b>CURRENT ASSETS:</b>           | <b>1992</b>               | <b>1991</b>         | <b>(DECREASE)</b>  |
| Cash                             | \$18,640                  | \$28,312            | (\$9,672)          |
| Accrued Interest                 | 606,857                   | 628,049             | (21,192)           |
| Accrued Contributions            | 166,604                   | 354,918             | (188,314)          |
| Deferred Gains And Losses        | 119,612                   | 215,091             | (95,479)           |
| Investments:                     |                           |                     |                    |
| Federal Securities               | 3,088,241                 | 3,946,302           | (858,061)          |
| Corporate Securities             | 21,968,124                | 21,909,056          | 59,068             |
| Short Term Investment Pool       | 1,316,200                 | 2,427,800           | (1,111,600)        |
| Common Stock                     | 5,608,293                 | 5,315,086           | 293,207            |
| Securities On Loan               | 8,395,455                 | 1,927,357           | 6,468,098          |
| <b>Total Current Assets</b>      | <b>\$41,288,026</b>       | <b>\$36,751,971</b> | <b>\$4,536,055</b> |
| <b>CURRENT LIABILITIES:</b>      |                           |                     |                    |
| Accrued Expenses                 | 10,310                    | 13,349              | (3,039)            |
| <b>Total Current Liabilities</b> | <b>\$10,310</b>           | <b>\$13,349</b>     | <b>(\$3,039)</b>   |
| <b>WORKING CAPITAL</b>           | <b>\$41,277,716</b>       | <b>\$36,738,622</b> | <b>\$4,539,094</b> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA  
SHERIFFS' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

**PLAN DESCRIPTION**

**1. PLAN MEMBERSHIP**

The Sheriffs' Retirement System (SRS) is a statewide defined benefit retirement plan established in 1974 for Montana sheriffs, undersheriffs, and regularly appointed deputy sheriffs. The SRS is a multiple-employer, cost-sharing plan.

**SRS MEMBERSHIP DATA**

| <i>COUNTY EMPLOYERS &amp;<br/>ACTIVE MEMBERS</i> | June 30, 1992 | June 30, 1991 |
|--------------------------------------------------|---------------|---------------|
| Beaverhead                                       | 8             | 6             |
| Big Horn                                         | 16            | 15            |
| Blaine                                           | 6             | 5             |
| Broadwater                                       | 4             | 6             |
| Carbon                                           | 6             | 6             |
| Carter                                           | 2             | 2             |
| Cascade                                          | 31            | 31            |
| Choteau                                          | 9             | 9             |
| Custer                                           | 4             | 5             |
| Daniels                                          | 3             | 3             |
| Dawson                                           | 6             | 6             |
| Fallon                                           | 2             | 2             |
| Fergus                                           | 9             | 9             |
| Flathead                                         | 31            | 28            |
| Gallatin                                         | 28            | 27            |
| Garfield                                         | 2             | 2             |
| Glacier                                          | 9             | 9             |
| Golden Valley                                    | 2             | 2             |
| Granite                                          | 4             | 3             |
| Hill                                             | 9             | 9             |
| Jefferson                                        | 8             | 8             |
| Judith Basin                                     | 4             | 3             |
| Lake                                             | 12            | 12            |
| Lewis & Clark                                    | 22            | 23            |
| Liberty                                          | 4             | 4             |
| Lincoln                                          | 20            | 20            |
| Madison                                          | 7             | 7             |
| McCone                                           | 3             | 3             |
| Meagher                                          | 3             | 3             |
| Mineral                                          | 5             | 5             |
| Missoula                                         | 42            | 41            |
| Musselshell                                      | 5             | 6             |

**STATE OF MONTANA  
SHERIFFS' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

**SRS MEMBERSHIP DATA  
(continued)**

|                                                  | June 30, 1992 | June 30, 1991 |
|--------------------------------------------------|---------------|---------------|
| <b>COUNTY EMPLOYERS &amp;<br/>ACTIVE MEMBERS</b> |               |               |
| Park                                             | 15            | 14            |
| Petroleum                                        | 1             | 1             |
| Phillips                                         | 8             | 7             |
| Pondera                                          | 7             | 8             |
| Powder                                           | 4             | 4             |
| Prairie                                          | 2             | 2             |
| Ravalli                                          | 14            | 15            |
| Richland                                         | 6             | 6             |
| Roosevelt                                        | 15            | 16            |
| Rosebud                                          | 15            | 15            |
| Sanders                                          | 7             | 7             |
| Sheridan                                         | 6             | 7             |
| Silver Bow                                       | 1             | 1             |
| Stillwater                                       | 7             | 7             |
| Sweet Grass                                      | 4             | 4             |
| Teton                                            | 6             | 7             |
| Toole                                            | 12            | 11            |
| Treasure                                         | 2             | 2             |
| Valley                                           | 13            | 23            |
| Wheatland                                        | 6             | 4             |
| Wibaux                                           | 3             | 2             |
| Yellowstone                                      | <u>41</u>     | <u>42</u>     |
| <b>TOTAL</b>                                     | <b>521</b>    | <b>525</b>    |
| <br><b>INACTIVE MEMBERS</b>                      |               |               |
| Vested                                           | 16            | 15            |
| Non-vested                                       | <u>66</u>     | <u>48</u>     |
| <b>TOTAL</b>                                     | <b>82</b>     | <b>63</b>     |
| <br><b>RETIREES &amp; BENEFICIARIES</b>          |               |               |
| Retirees                                         | 60            | 54            |
| Disabilities                                     | 28            | 28            |
| Survivors                                        | <u>11</u>     | <u>11</u>     |
| <b>TOTAL</b>                                     | <b>99</b>     | <b>93</b>     |

**STATE OF MONTANA  
SHERIFFS' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

**2. PLAN BENEFITS**

**A. PENSION BENEFITS**

A member initially elected or appointed before July 1, 1989 may retire with a regular service retirement benefit after completing 24 years of credited service. A member initially elected or appointed on or after July 1, 1989 may retire after both serving at least 24 years and attaining the minimum service retirement age of 50. The retirement benefit, payable monthly for life, is based on the following formulas:

**SRS BENEFIT FORMULA**

- 1) For retirements with up to 24 years of service:  
 $2.0834 \times \text{Years of Service} \times \text{Final Salary (FS)}$   
(Maximum benefit is 50% of FS)
  
- 2) Over 24 Years of service:  
 $2.0834 \times \text{Years of Service (through 24 years)} \times \text{FS} +$   
 $1.35\% \times \text{FS} \times \text{Years of Service over 24}$   
(Maximum benefit is 60% of FS)

FS is the average of the member's highest salary during any 36 consecutive months of credited service.

A member may retire with an actuarially reduced early retirement benefit, after completing 15 years of credited service and attaining age 50.

**B. DEFERRED BENEFIT**

A vested member (one who has completed five years of service) who involuntarily leaves covered employment before attaining retirement age becomes eligible for a deferred benefit at age 50, provided the accumulated contributions are left on deposit.

**C. DISABILITY BENEFIT**

Any member who becomes totally and permanently disabled is eligible for a disability benefit. The benefit is calculated as follows:

**STATE OF MONTANA  
SHERIFFS' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

- 1) for members disabled in the line of duty, one-half of final salary, *or*
- 2) for members disabled **not** in the line of duty, the actuarial equivalent of the service retirement benefit based on age and service credits at time of disability.

**D. DEATH BENEFIT**

Upon the death of an actively employed member of the system, the named beneficiary is entitled to elect:

- 1) a lump sum equal to the total accumulated contributions, including interest, *or*
- 2) a monthly benefit calculated as follows:  
 $2\% \times \text{Final Salary} \times \text{Years of Service (up to 25 years)}$ , actuarially reduced from either age 65 or 25 years of service, whichever would produce the higher benefit, *or*
- 3) if the member dies from duty related causes, a benefit equal to 50% of Final Salary.

**E. BENEFIT ENHANCEMENTS AFTER RETIREMENT**

An automatic post retirement adjustment provides permanent benefit increases funded from annual investment earnings exceeding the actuarially required 8% yield. These increases are paid to eligible recipients based on years of service, current age and the retirement option chosen. In January 1992, the average eligible recipient received an increase of 4.09%.

The 1991 Montana Legislature enacted Senate Bill 226 which made all pension payments subject to state taxation and provided for an annual benefit adjustment payment to be made to all retirees who are residents of the State of Montana. During fiscal year 1992, eligible recipients received an increase of 2.64%.

**3. FUNDING REQUIREMENTS**

**A. MEMBER CONTRIBUTIONS**

Member contribution rates for fiscal year 1992 are set by statute at 7% of total monthly compensation and are deducted from each member's salary and remitted by their employers. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed.



**STATE OF MONTANA  
SHERIFFS' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

**B. EMPLOYER CONTRIBUTIONS**

During fiscal year 1992, each county contributes 7.67% of their total SRS-covered payroll to the retirement system on a monthly basis.

**ACTUARIAL COST METHOD**

Refer to the *Actuarial Section*.

**FUNDING REQUIREMENTS & ACTUAL CONTRIBUTIONS**

The aggregate contribution rate of 14.67% (employer and member) funds the normal cost contribution rate of 14.37%. The system has no unfunded liability. Employer and member contributions for the year totalled \$2,195,361.

**SIGNIFICANT ACCOUNTING & FINANCIAL REPORTING POLICIES**

**1. METHOD OF ACCOUNTING**

Refer to the *Appendix* for standard accounting policies.

**2. VALUATION OF INVESTMENTS**

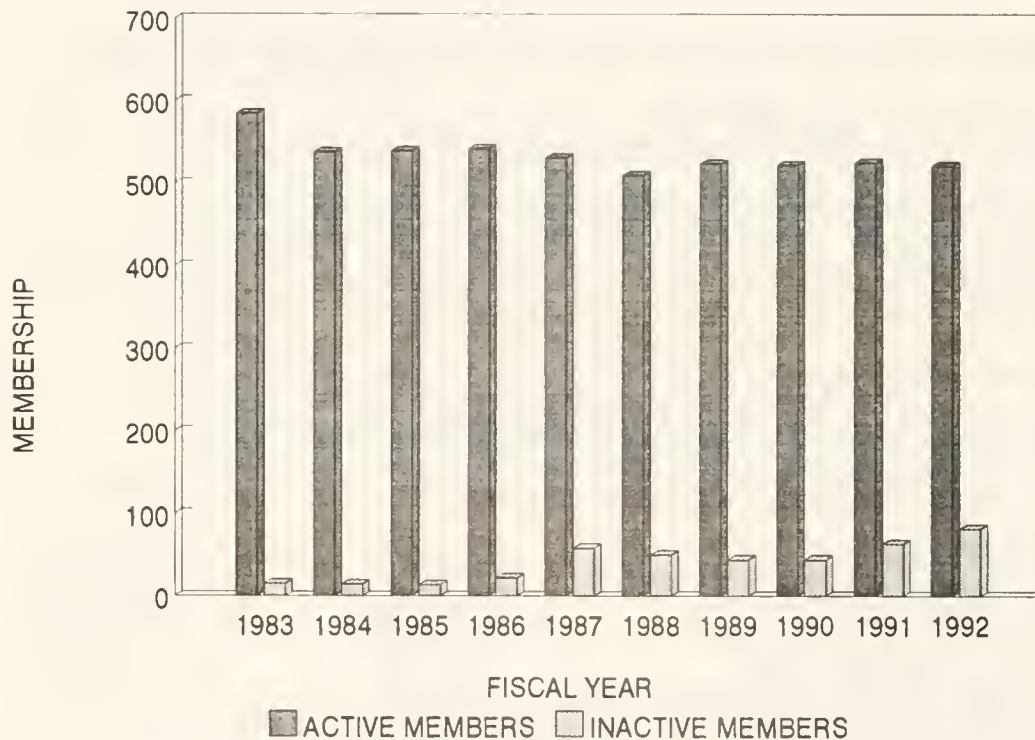
See *Appendix* for investment policies as these policies are standard for all funds. The following is the listing of investments at fiscal year end:

| <b>SRS INVESTMENTS</b>     |                   |                   |
|----------------------------|-------------------|-------------------|
| <u>Type</u>                | <u>Cost</u>       | <u>Market</u>     |
| Corporate Securities       | \$ 20,045,825     | \$ 20,831,821     |
| US Government Securities   | 11,830,295        | 12,290,009        |
| Canadian Securities        | 1,121,888         | 1,348,844         |
| Short Term Investment Pool | 1,316,200         | 1,316,200         |
| Mont-Comp (Common Stock)   | 5,608,293         | 8,752,803         |
| Leveraged Buy-Outs         | <u>453,811</u>    | <u>717,523</u>    |
| <b>TOTAL INVESTMENTS</b>   | <b>40,376,312</b> | <b>45,257,200</b> |

**STATE OF MONTANA  
SHERIFFS' RETIREMENT SYSTEM**

**MEMBERSHIP**

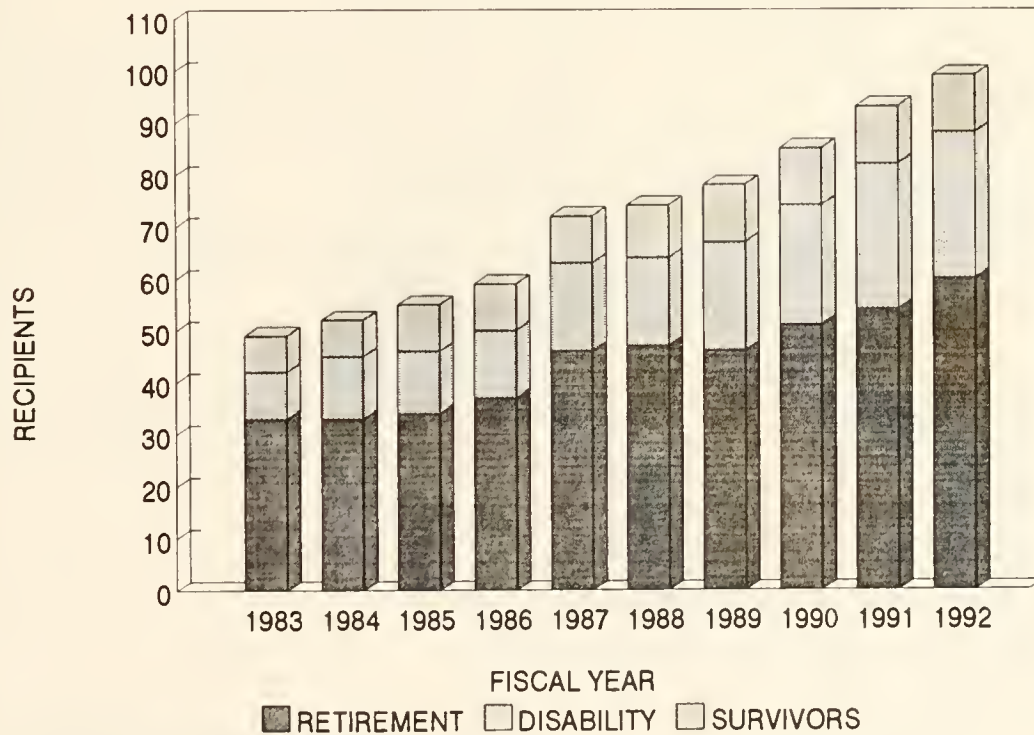
| <b>Fiscal Year</b> | <b>Active Members</b> | <b>Inactive Members</b> | <b>Total</b> |
|--------------------|-----------------------|-------------------------|--------------|
| 06/30/83           | 584                   | 15                      | 599          |
| 06/30/84           | 537                   | 14                      | 551          |
| 06/30/85           | 539                   | 13                      | 552          |
| 06/30/86           | 541                   | 22                      | 563          |
| 06/30/87           | 530                   | 58                      | 588          |
| 06/30/88           | 509                   | 50                      | 559          |
| 06/30/89           | 523                   | 44                      | 567          |
| 06/30/90           | 522                   | 44                      | 566          |
| 06/30/91           | 525                   | 63                      | 588          |
| <b>06/30/92</b>    | <b>521</b>            | <b>82</b>               | <b>603</b>   |



**STATE OF MONTANA  
SHERIFFS' RETIREMENT SYSTEM**

**RETIRED MEMBERS AND BENEFIT RECIPIENTS**

| <b>Fiscal Year</b> | <b>Retirement</b> | <b>Disability</b> | <b>Survivors</b> | <b>Total</b> |
|--------------------|-------------------|-------------------|------------------|--------------|
| 06/30/83           | 33                | 9                 | 7                | 49           |
| 06/30/84           | 33                | 12                | 7                | 52           |
| 06/30/85           | 34                | 12                | 9                | 55           |
| 06/30/86           | 37                | 13                | 9                | 59           |
| 06/30/87           | 46                | 17                | 9                | 72           |
| 06/30/88           | 47                | 17                | 10               | 74           |
| 06/30/89           | 46                | 21                | 11               | 78           |
| 06/30/90           | 51                | 23                | 11               | 85           |
| 06/30/91           | 54                | 28                | 11               | 93           |
| 06/30/92           | 60                | 28                | 11               | 99           |

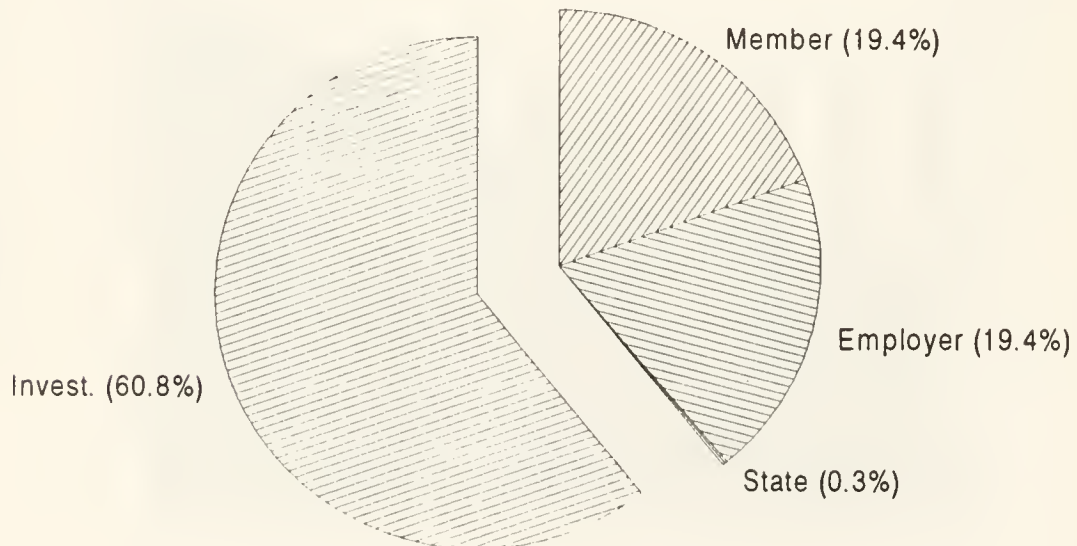


**STATE OF MONTANA  
SHERIFFS' RETIREMENT SYSTEM**

**COMPARATIVE SUMMARY OF REVENUES BY SOURCE**

| <i>Fiscal<br/>Year</i> | <i>Contributions</i> |                 |              | <i>Investment<br/>Income</i> | <i>Total</i> |
|------------------------|----------------------|-----------------|--------------|------------------------------|--------------|
|                        | <i>Member</i>        | <i>Employer</i> | <i>State</i> |                              |              |
| 06/30/83               | 699,752              | 749,132         | 0            | 1,080,802                    | 2,529,686    |
| 06/30/84               | 752,392              | 805,584         | 0            | 1,363,181                    | 2,921,157    |
| 06/30/85               | 784,899              | 842,733         | 0            | 1,704,246                    | 3,331,878    |
| 06/30/86               | 822,921              | 892,416         | 0            | 2,370,170                    | 4,085,507    |
| 06/30/87               | 836,232              | 890,441         | 0            | 2,252,834                    | 3,979,507    |
| 06/30/88               | 780,521              | 839,509         | 0            | 2,526,090                    | 4,146,120    |
| 06/30/89               | 833,357              | 871,136         | 0            | 2,764,330                    | 4,468,823    |
| 06/30/90               | 918,158              | 928,191         | 0            | 3,012,704                    | 4,859,053    |
| 06/30/91               | 976,490              | 989,827         | 0            | 3,153,816                    | 5,120,133    |
| 06/30/92               | 1,089,237            | 1,088,347       | 18,132       | 3,410,222                    | 5,605,938    |

**REVENUES FOR FISCAL YEAR 92**

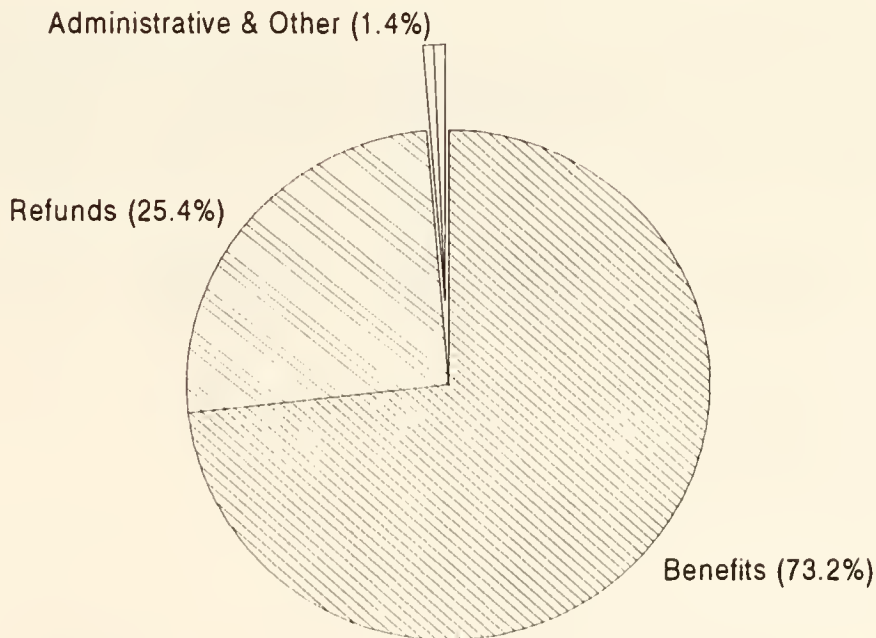


**STATE OF MONTANA  
SHERIFFS' RETIREMENT SYSTEM**

**COMPARATIVE SUMMARY OF EXPENSES BY TYPE**

| <i>Fiscal Year</i> | <i>Benefits</i> | <i>Refunds</i> | <i>Admin Expenses*</i> | <i>Other**</i> | <i>Total</i> |
|--------------------|-----------------|----------------|------------------------|----------------|--------------|
| 06/30/83           | 204,439         | 136,442        | 11,957                 | 6,794          | 359,632      |
| 06/30/84           | 222,818         | 278,658        | 16,119                 | (14,727)       | 502,868      |
| 06/30/85           | 242,054         | 219,951        | 14,992                 | 11,372         | 488,369      |
| 06/30/86           | 306,424         | 308,047        | 17,824                 | 34,358         | 666,653      |
| 06/30/87           | 383,982         | 577,233        | 19,675                 | 0              | 980,890      |
| 06/30/88           | 440,142         | 415,918        | 18,977                 | 22,955         | 897,992      |
| 06/30/89           | 465,958         | 561,415        | 15,318                 | 28,529         | 1,071,220    |
| 06/30/90           | 564,657         | 456,243        | 15,725                 | 47,075         | 1,083,700    |
| 06/30/91           | 729,112         | 534,151        | 16,859                 | 10,456         | 1,290,578    |
| 06/30/92           | 781,090         | 271,057        | 14,789                 | (92)           | 1,066,844    |

**EXPENSES FOR FISCAL YEAR 92**



\*Includes Investment Expense

\*\*Includes Prior Year Adjustments

**STATE OF MONTANA  
SHERIFFS' RETIREMENT SYSTEM**

**ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS**

| FISCAL<br>YEAR | REVENUES  | EXPENSES  | ANNUAL<br>ADDITIONS | NET ASSETS<br>AVAILABLE |
|----------------|-----------|-----------|---------------------|-------------------------|
| 06/30/83       | 2,529,686 | 359,632   | 2,170,054           | 10,799,984              |
| 06/30/84       | 2,921,157 | 502,868   | 2,418,289           | 13,218,273              |
| 06/30/85       | 3,331,878 | 488,369   | 2,843,509           | 16,061,782              |
| 06/30/86       | 4,085,507 | 666,653   | 3,418,854           | 19,480,636              |
| 06/30/87       | 3,979,507 | 980,890   | 2,998,617           | 22,479,253              |
| 06/30/88       | 4,146,120 | 897,992   | 3,248,128           | 25,727,381              |
| 06/30/89       | 4,477,553 | 1,071,220 | 3,406,333           | 29,133,714              |
| 06/30/90       | 4,859,053 | 1,083,700 | 3,775,353           | 32,909,067              |
| 06/30/91       | 5,120,133 | 1,290,578 | 3,829,555           | 36,738,622              |
| 06/30/92       | 5,605,938 | 1,066,844 | 4,539,094           | 41,277,716              |

**CONTRIBUTION RATES**

| FISCAL<br>YEAR | EMPLOYEE<br>PERCENT | EMPLOYER<br>PERCENT |
|----------------|---------------------|---------------------|
| 1979 - 1981    | 7.00                | 7.55                |
| 1982 - 1985    | 7.00                | 7.62                |
| 1986 - 1992    | 7.00                | 7.67                |

**STATE OF MONTANA  
SHERIFFS' RETIREMENT SYSTEM**

**ANALYSIS OF FUNDING PROGRESS**

*(In millions of dollars)*

| <i>Fiscal Year</i> | <i>Net Assets Available For Benefits*</i> | <i>Pension Benefit Obligation</i> | <i>Percent Funded</i> | <i>Unfunded PBO</i> | <i>Annual Covered Payroll</i> | <i>Unfunded PBO As A Percent Of Covered Payroll</i> |
|--------------------|-------------------------------------------|-----------------------------------|-----------------------|---------------------|-------------------------------|-----------------------------------------------------|
| 1988               | \$25.7                                    | \$18.3                            | 140.4%                | (\$7.4)             | \$11.2                        | -66.1%                                              |
| 1989               | 29.1                                      | 20.5                              | 142.0%                | -8.6                | 11.3                          | -76.1%                                              |
| 1990               | 32.9                                      | 23.7                              | 138.8%                | -9.2                | 11.8                          | -78.0%                                              |
| 1991               | 36.7                                      | 26.8                              | 137.2%                | -10.0               | 11.6                          | -85.9%                                              |
| 1992               | 41.3                                      | 32.6                              | 126.5%                | -8.6                | 13.7                          | -63.2%                                              |

*Expressing the net assets available for benefits as a percentage of the pension benefit obligation (PBO) provides one indication of the system's funding status. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Expressing the unfunded PBO as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the system's progress made in accumulating sufficient assets to pay benefits. Generally, the smaller this percentage, the stronger the system.*

This comparative information is only available from FY88 to FY92.

\*Net Assets at cost.





*JUDGES'*  
*RETIREMENT SYSTEM*



*Supreme Court 1903 Helena, MT. Assoc. Justice, George R. Milburn; Chief Justice, Theodore Brantley; Assoc. Justice, W.L. Holloway. Photo compliments of Montana Historical Society, Helena.*

**STATE OF MONTANA  
JUDGES' RETIREMENT SYSTEM**

**BALANCE SHEET**

**JUNE 30, 1992**

**ASSETS**

|                            |                     |
|----------------------------|---------------------|
| Cash In Treasury           | \$20,571            |
| Interest Receivable        | 238,538             |
| Accounts Receivable        | 66,628              |
| Corporate Securities       | 6,375,078           |
| U.S. Government Securities | 4,397,032           |
| Canadian Securities        | 672,831             |
| Short Term Investment Pool | 1,200,400           |
| Common Stock               | 2,663,153           |
| Leveraged Buy-Outs         | 226,906             |
| Deferred Gains And Losses  | 70,742              |
| <b>Total Assets</b>        | <b>\$15,931,879</b> |

**LIABILITIES**

|                                          |                     |
|------------------------------------------|---------------------|
| Accounts Payable                         | 2,633               |
| <b>Net Assets Available For Benefits</b> | <b>\$15,929,246</b> |

**FUND BALANCE**

|                                  |                     |
|----------------------------------|---------------------|
| Annuity Savings Reserve          | \$1,258,598         |
| Annuity Savings Interest Reserve | 829,488             |
| Pension Accumulation Reserve     | 13,841,160          |
| <b>Total Fund Balance</b>        | <b>\$15,929,246</b> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA  
JUDGES' RETIREMENT SYSTEM**

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND BALANCE**

**FOR FISCAL YEARS ENDED JUNE 30, 1992 AND JUNE 30, 1991**

|                                         | 1992                | 1991                |
|-----------------------------------------|---------------------|---------------------|
| <b>REVENUES</b>                         |                     |                     |
| Retirement Contributions                |                     |                     |
| Member                                  | \$174,072           | \$161,272           |
| Employer                                | 149,077             | 137,621             |
| State                                   | 15,149              | 0                   |
| Court Fees                              | 562,540             | 556,251             |
| Investment Income                       | 1,142,276           | 1,077,083           |
| Common Stock Dividends                  | 126,739             | 133,309             |
| <b>Total Revenues</b>                   | <b>\$2,169,853</b>  | <b>\$2,065,536</b>  |
| <b>EXPENSES</b>                         |                     |                     |
| Benefit Payments                        | \$636,596           | \$573,762           |
| Refund Of Member Contributions          | 22,009              | 0                   |
| Interest On Refunds                     | 5,182               | 0                   |
| Administrative Expense                  | 2,469               | 1,741               |
| Investment Expense                      | 1,896               | 1,403               |
| <b>Total Expenses</b>                   | <b>\$668,152</b>    | <b>\$576,906</b>    |
| <b>OTHER FINANCING SOURCES - (USES)</b> |                     |                     |
| Prior Year Adjustments                  | \$195               | (\$3,182)           |
| Excess Of Revenues Over Expenses        | 1,501,896           | 1,485,448           |
| Fund Balance Beginning Of Year          | 14,427,350          | 12,941,902          |
| <b>Fund Balance End Of Year</b>         | <b>\$15,929,246</b> | <b>\$14,427,350</b> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA  
JUDGES' RETIREMENT SYSTEM**

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 1992**

**RESOURCES PROVIDED BY:**

From Operations:

|                                 |                    |
|---------------------------------|--------------------|
| Excess Revenues Over Expenses   | \$1,501,896        |
| <b>Total Resources Provided</b> | <b>\$1,501,896</b> |

**RESOURCES USED BY:**

|                                 |                    |
|---------------------------------|--------------------|
| Net Increase In Working Capital | \$1,501,896        |
| <b>Total Resources Used</b>     | <b>\$1,501,896</b> |

**ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL**

| <b>CURRENT ASSETS:</b>           | <b>YEAR ENDED JUNE 30</b> |                     | <b>INCREASE<br/>(DECREASE)</b> |
|----------------------------------|---------------------------|---------------------|--------------------------------|
|                                  | <b>1992</b>               | <b>1991</b>         |                                |
| Cash                             | \$20,571                  | \$31,904            | (\$11,333)                     |
| Accrued Interest                 | 238,538                   | 243,086             | (4,548)                        |
| Accrued Contributions            | 66,628                    | 53,034              | 13,594                         |
| Deferred Gains And Losses        | 70,742                    | 132,964             | (62,222)                       |
| Investments:                     |                           |                     |                                |
| Mortgages                        | 0                         | 11,244              | (11,244)                       |
| Federal Securities               | 2,852,344                 | 1,326,317           | 1,526,027                      |
| Corporate Securities             | 7,554,162                 | 7,458,031           | 96,131                         |
| Short Term Investment Pool       | 1,200,400                 | 1,584,100           | (383,700)                      |
| Common Stock                     | 2,663,153                 | 2,560,531           | 102,622                        |
| Securities On Loan               | 1,265,341                 | 1,027,985           | 237,356                        |
| <b>Total Current Assets</b>      | <b>\$15,931,879</b>       | <b>\$14,429,196</b> | <b>\$1,502,683</b>             |
| <b>CURRENT LIABILITIES:</b>      |                           |                     |                                |
| Accrued Expenses                 | 2,633                     | 1,846               | 787                            |
| <b>Total Current Liabilities</b> | <b>\$2,633</b>            | <b>\$1,846</b>      | <b>\$787</b>                   |
| <b>WORKING CAPITAL</b>           | <b>\$15,929,246</b>       | <b>\$14,427,350</b> | <b>\$1,501,896</b>             |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA  
JUDGES' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

**PLAN DESCRIPTION**

**1. PLAN MEMBERSHIP**

The Judges' Retirement System (JRS) is a statewide defined benefit retirement plan established in 1967 for all Montana judges of the district courts and justices of the Supreme Court. Effective July 1, 1991, the chief water judge was also included in the plan. The JRS is a single-employer, cost-sharing plan.

| <b>JRS MEMBERSHIP DATA</b>           |                      |                      |
|--------------------------------------|----------------------|----------------------|
|                                      | <b>June 30, 1992</b> | <b>June 30, 1991</b> |
| <b>EMPLOYER &amp; ACTIVE MEMBERS</b> |                      |                      |
| State                                | <u>43</u>            | <u>43</u>            |
| <b>TOTAL</b>                         | <b>43</b>            | <b>43</b>            |
| <b>INACTIVE MEMBERS</b>              |                      |                      |
| Vested                               | 4                    | 5                    |
| Non-vested                           | <u>0</u>             | <u>0</u>             |
| <b>TOTAL</b>                         | <b>4</b>             | <b>5</b>             |
| <b>RETIREEES &amp; BENEFICIARIES</b> |                      |                      |
| Retirees                             | 26                   | 25                   |
| Disabilities                         | 4                    | 5                    |
| Survivors                            | <u>1</u>             | <u>1</u>             |
| <b>TOTAL</b>                         | <b>31</b>            | <b>31</b>            |

**2. PLAN BENEFITS**

**A. PENSION BENEFITS**

A member may retire with a service retirement benefit after both completing at least five years of membership service and attaining the minimum service retirement age of 65. The retirement benefit, payable monthly for life, is based on the following formula:

| <b>JRS BENEFIT FORMULA</b>                              |  |
|---------------------------------------------------------|--|
| 3 1/3% X Years of Service (up to 15) X Final Salary     |  |
| plus 1.785% X Years of Service (over 15) X Final Salary |  |

**STATE OF MONTANA  
JUDGES' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

Final Salary is the current salary for the office from which the member retired.

A member who is involuntarily discontinued from service after at least five years of membership service and before retirement eligibility may receive an actuarially reduced retirement benefit beginning immediately after termination from service. For members elected or appointed prior to July 1, 1983 who have at least 12 years of service, the involuntary allowance is not actuarially reduced.

**B. DEFERRED BENEFIT**

A vested member (one who has completed five years of membership) voluntarily leaving covered employment before attaining retirement age is eligible for a monthly benefit at age 65, provided the accumulated contributions are left on deposit.

**C. DISABILITY BENEFIT**

A member who becomes totally and permanently disabled is eligible for a disability benefit which is the actuarial equivalent of the service retirement benefit based on the member's current age. If the disability is duty-related, the disability benefit may not be less than one-half of final salary.

**D. DEATH BENEFIT**

Upon the death of an actively employed member, his designated beneficiary is entitled to either:

- 1) In the case of a duty-related death, a monthly benefit equal to the total service retirement benefit earned by the member at the time of death, *or*
- 2) in the case of death from other causes, a monthly benefit which is the actuarial equivalent of the involuntary retirement benefit described earlier.

**E. BENEFIT ENHANCEMENTS AFTER RETIREMENT**

Since "final salary" used in the calculation of the monthly benefit is defined as the "current salary" for the office from which the member retired, each time the legislature increases the salaries for active judges, benefits of retired judges (or eligible survivors) increase.

The 1991 Montana Legislature enacted Senate Bill 226 made all pension payments subject to state taxation and provided for an annual benefit adjustment payment to be made to all retirees who are residents of the State of Montana. During fiscal year 1992, eligible recipients received an increase of 2.76%.

**STATE OF MONTANA  
JUDGES' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

**3. FUNDING REQUIREMENTS**

**A. MEMBER CONTRIBUTIONS**

Member contribution rates for fiscal year 1992 are set by statute at 7% of monthly compensation and are deducted from each member's salary and remitted by the employer. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed.

**B. EMPLOYER CONTRIBUTIONS**

The State contributes 6% of the total JRS-covered payroll to the retirement system on a monthly basis.

**C. COURT FEES**

The State is required to contribute an amount equal to 34.71% of member salaries from district court fees transmitted to the state by clerks of the district courts. In addition, 25% of Supreme Court fees are paid to the fund. The amount received for fiscal year 1992 was \$562,540.

**SHORTFALL IN DISTRICT COURT FEE'S CONTRIBUTIONS**

District court fees have not generated the revenue needed for the JRS as required by 19-5-404 MCA. Legislation passed to increase the percent of salaries paid from district court fees from 31% to 34.71% effective July 1, 1991 has further increased this shortfall. The actual district court fees remitted during fiscal year 1992 provided only 21.87% of all active judges salaries, a shortfall of 12.84%. At the present time, the JRS is able to meet all current obligations, but the continued funding shortfall has prohibited the actuary from certifying the actuarial soundness of this system.

**ACTUARIAL COST METHOD**

Refer to the *Actuarial Section*.

**FUNDING REQUIREMENTS & ACTUAL CONTRIBUTIONS**

The aggregate contribution rate of 48.01% (employer, member, supreme court fees, and district court fees) funds the normal cost contribution rate of 41.15%. The 6.85% difference is applied to amortize unfunded liability of the system. However, employer contributions, member contributions, and court fees for the year totalled \$ 900,838 which was only 35.17% of salaries and not sufficient to fund normal costs of the system.

**STATE OF MONTANA  
JUDGES' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

**SIGNIFICANT ACCOUNTING & FINANCIAL REPORTING POLICIES**

**1. METHOD OF ACCOUNTING**

Refer to the *Appendix* for standard accounting policies.

**2. VALUATION OF INVESTMENTS**

See *Appendix* for investment policies as these policies are standard of all funds. The following is the listing of investments at fiscal year end:

| <b>JRS INVESTMENTS</b>     |    |                   |    |                   |
|----------------------------|----|-------------------|----|-------------------|
| <u>Type</u>                |    | <u>Cost</u>       |    | <u>Market</u>     |
| Corporate Securities       | \$ | 6,375,078         | \$ | 6,526,052         |
| US Government Securities   |    | 4,397,032         |    | 4,576,493         |
| Short Term Investment Pool |    | 1,200,400         |    | 1,200,400         |
| Mont-Comp (Common Stock)   |    | 2,663,153         |    | 4,380,909         |
| Leveraged Buy-Outs         |    | <u>226,906</u>    |    | <u>358,764</u>    |
| <b>TOTAL INVESTMENTS</b>   | \$ | <b>14,862,569</b> | \$ | <b>17,042,618</b> |



**STATE OF MONTANA  
JUDGES' RETIREMENT SYSTEM**

**ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS**

| <b>FISCAL<br/>YEAR</b> | <b>REVENUES</b> | <b>EXPENSES</b> | <b>ANNUAL<br/>ADDITIONS</b> | <b>NET ASSETS<br/>AVAILABLE</b> |
|------------------------|-----------------|-----------------|-----------------------------|---------------------------------|
| 06/30/83               | 1,001,254       | 261,704         | 739,550                     | 4,647,820                       |
| 06/30/84               | 1,315,396       | 414,070         | 901,326                     | 5,549,146                       |
| 06/30/85               | 1,486,109       | 420,788         | 1,065,321                   | 6,614,467                       |
| 06/30/86               | 1,606,206       | 451,163         | 1,155,043                   | 7,769,510                       |
| 06/30/87               | 1,678,660       | 442,168         | 1,236,492                   | 9,006,002                       |
| 06/30/88               | 1,653,856       | 453,033         | 1,200,823                   | 10,206,825                      |
| 06/30/89               | 1,829,743       | 465,282         | 1,364,461                   | 11,571,286                      |
| 06/30/90               | 1,984,100       | 613,484         | 1,370,616                   | 12,941,902                      |
| 06/30/91               | 2,065,536       | 580,088         | 1,485,448                   | 14,427,350                      |
| 06/30/92               | 2,169,853       | 667,957         | 1,501,896                   | 15,929,246                      |

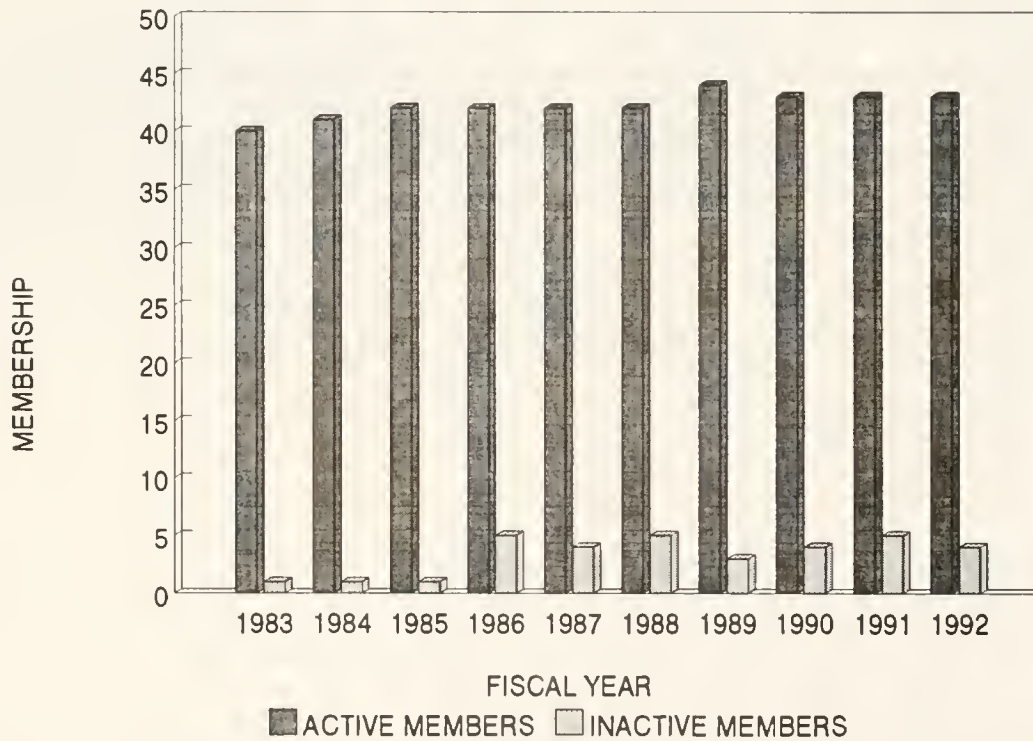
**CONTRIBUTION RATES**

| <b>FISCAL<br/>YEAR</b> | <b>EMPLOYEE<br/>PERCENT</b> | <b>EMPLOYER<br/>PERCENT</b> |
|------------------------|-----------------------------|-----------------------------|
| 1979 - 1983            | 6.00                        | 6.00                        |
| 1984 - 1991            | 6.00/7.00                   | 6.00                        |
| 1992                   | 7.00                        | 6.00                        |

**STATE OF MONTANA  
JUDGES' RETIREMENT SYSTEM**

**MEMBERSHIP**

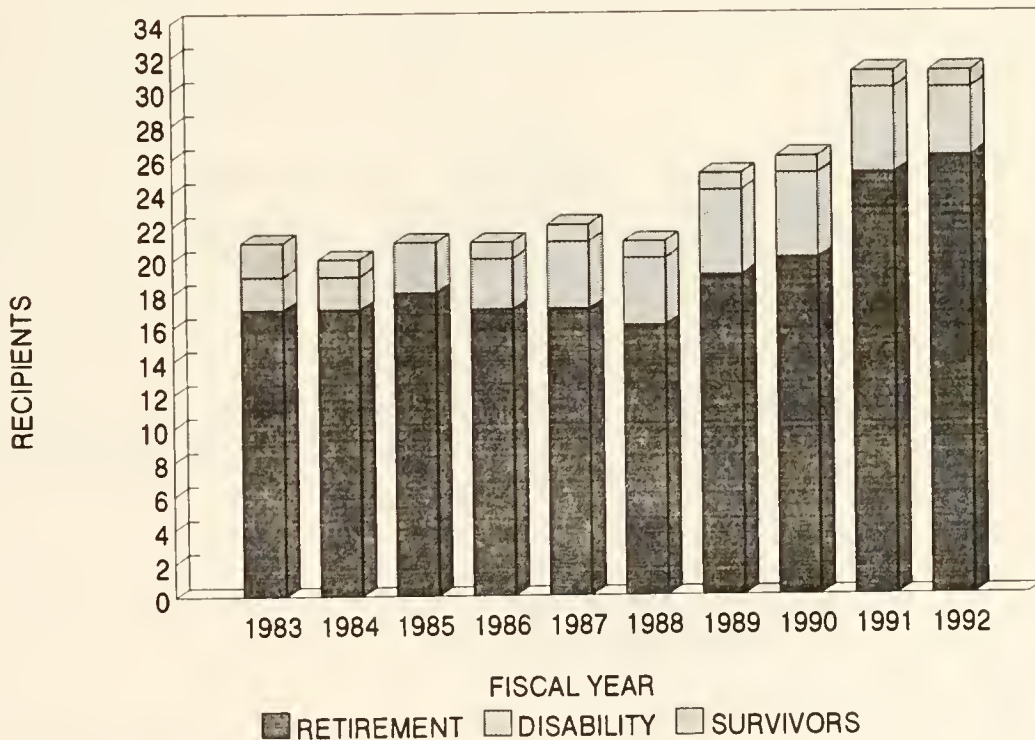
| <b>Fiscal Year</b> | <b>Active Members</b> | <b>Inactive Members</b> | <b>Total</b> |
|--------------------|-----------------------|-------------------------|--------------|
| 06/30/83           | 40                    | 1                       | 41           |
| 06/30/84           | 41                    | 1                       | 42           |
| 06/30/85           | 42                    | 1                       | 43           |
| 06/30/86           | 42                    | 5                       | 47           |
| 06/30/87           | 42                    | 4                       | 46           |
| 06/30/88           | 42                    | 5                       | 47           |
| 06/30/89           | 44                    | 3                       | 47           |
| 06/30/90           | 43                    | 4                       | 47           |
| 06/30/91           | 43                    | 5                       | 48           |
| 06/30/92           | 43                    | 4                       | 47           |



**STATE OF MONTANA  
JUDGES' RETIREMENT SYSTEM**

**RETIRED MEMBERS AND BENEFIT RECIPIENTS**

| <b>Fiscal Year</b> | <b>Retirement</b> | <b>Disability</b> | <b>Survivors</b> | <b>Total</b> |
|--------------------|-------------------|-------------------|------------------|--------------|
| 06/30/83           | 17                | 2                 | 2                | 21           |
| 06/30/84           | 17                | 2                 | 1                | 20           |
| 06/30/85           | 18                | 3                 | 0                | 21           |
| 06/30/86           | 17                | 3                 | 1                | 21           |
| 06/30/87           | 17                | 4                 | 1                | 22           |
| 06/30/88           | 16                | 4                 | 1                | 21           |
| 06/30/89           | 19                | 5                 | 1                | 25           |
| 06/30/90           | 20                | 5                 | 1                | 26           |
| 06/30/91           | 25                | 5                 | 1                | 31           |
| 06/30/92           | 26                | 4                 | 1                | 31           |

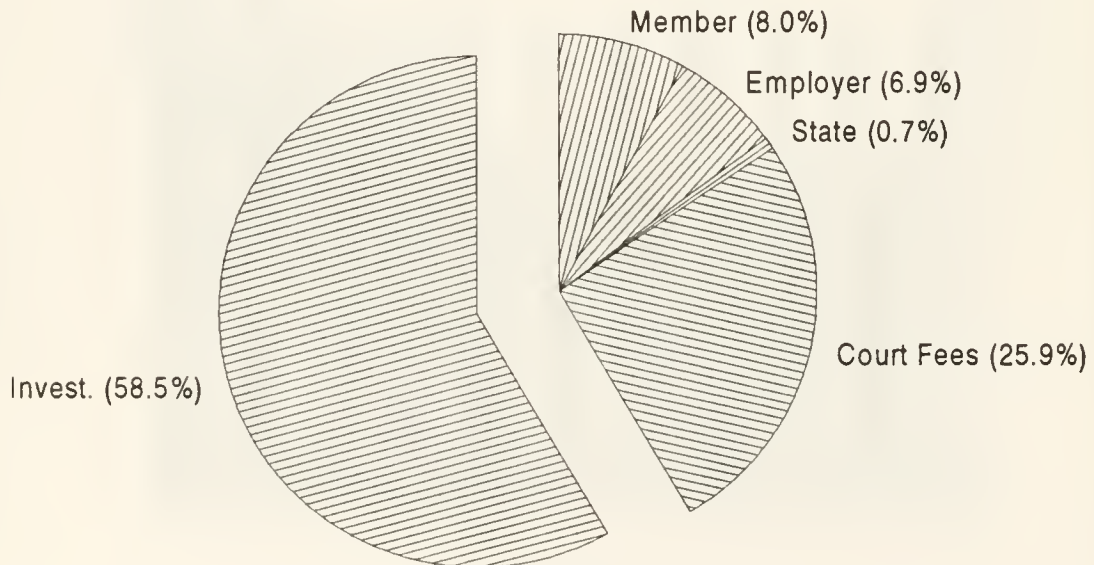


**STATE OF MONTANA  
JUDGES' RETIREMENT SYSTEM**

**COMPARATIVE SUMMARY OF REVENUES BY SOURCE**

| <i>Fiscal<br/>Year</i> | <i>Contributions</i> |                 |              | <i>Court<br/>Fees</i> | <i>Investment<br/>Income</i> | <i>Total</i> |
|------------------------|----------------------|-----------------|--------------|-----------------------|------------------------------|--------------|
|                        | <i>Member</i>        | <i>Employer</i> | <i>State</i> |                       |                              |              |
| 06/30/83               | 102,936              | 102,936         | 0            | 359,719               | 435,663                      | 1,001,254    |
| 06/30/84               | 109,392              | 113,333         | 0            | 567,151               | 525,520                      | 1,315,396    |
| 06/30/85               | 119,603              | 117,331         | 0            | 608,812               | 640,363                      | 1,486,109    |
| 06/30/86               | 157,395              | 125,992         | 0            | 523,060               | 829,759                      | 1,636,206    |
| 06/30/87               | 126,818              | 122,602         | 0            | 549,873               | 879,367                      | 1,678,660    |
| 06/30/88               | 128,182              | 123,595         | 0            | 449,862               | 952,217                      | 1,653,856    |
| 06/30/89               | 131,317              | 124,390         | 0            | 513,274               | 1,060,762                    | 1,829,743    |
| 06/30/90               | 151,873              | 130,781         | 0            | 546,411               | 1,155,035                    | 1,984,100    |
| 06/30/91               | 161,272              | 137,621         | 0            | 556,251               | 1,210,391                    | 2,065,535    |
| 06/30/92               | 174,072              | 149,077         | 15,149       | 562,540               | 1,269,015                    | 2,169,853    |

**REVENUES FOR FISCAL YEAR 92**



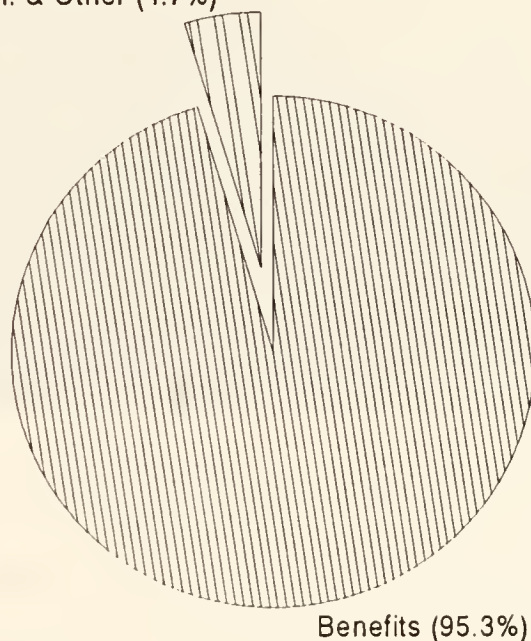
**STATE OF MONTANA  
JUDGES' RETIREMENT SYSTEM**

**COMPARATIVE SUMMARY OF EXPENSES BY TYPE**

| <i>Fiscal Year</i> | <i>Benefits</i> | <i>Refunds</i> | <i>Admin Expenses*</i> | <i>Other**</i> | <i>Total</i> |
|--------------------|-----------------|----------------|------------------------|----------------|--------------|
| 06/30/83           | 329,149         | 0              | 3,103                  | (70,548)       | 261,704      |
| 06/30/84           | 410,439         | 0              | 3,631                  | 0              | 414,070      |
| 06/30/85           | 417,235         | 0              | 3,553                  | 0              | 420,788      |
| 06/30/86           | 437,240         | 2,939          | 4,489                  | 6,495          | 451,163      |
| 06/30/87           | 436,094         | 22,766         | 5,142                  | (21,834)       | 442,168      |
| 06/30/88           | 447,269         | 0              | 5,763                  | 1              | 453,033      |
| 06/30/89           | 471,154         | 0              | 3,020                  | (8,892)        | 465,282      |
| 06/30/90           | 568,382         | 41,849         | 2,788                  | 465            | 613,484      |
| 06/30/91           | 573,762         | 0              | 3,143                  | 3,182          | 580,087      |
| 06/30/92           | 636,596         | 27,191         | 4,365                  | (195)          | 667,957      |

**EXPENSES FOR FISCAL YEAR 92**

Refunds, Admin. & Other (4.7%)



\*Includes Investment Expense

\*\*Includes Prior Year Adjustments

**STATE OF MONTANA  
JUDGES' RETIREMENT SYSTEM**

**ANALYSIS OF FUNDING PROGRESS**

*(In millions of dollars)*

| <i>Fiscal Year</i> | <i>Net Assets Available For Benefits*</i> | <i>Pension Benefit Obligation</i> | <i>Percent Funded</i> | <i>Unfunded PBO</i> | <i>Annual Covered Payroll</i> | <i>Unfunded PBO As A Percent Of Covered Payroll</i> |
|--------------------|-------------------------------------------|-----------------------------------|-----------------------|---------------------|-------------------------------|-----------------------------------------------------|
| 1988               | \$10.2                                    | \$15.0                            | 68.0%                 | \$4.8               | \$2.1                         | 228.6%                                              |
| 1989               | 11.6                                      | 16.2                              | 71.6%                 | 4.6                 | 2.1                           | 219.0%                                              |
| 1990               | 12.9                                      | 18.0                              | 71.7%                 | 5.1                 | 2.2                           | 231.8%                                              |
| 1991               | 14.4                                      | 20.8                              | 69.5%                 | 6.3                 | 2.4                           | 262.6%                                              |
| 1992               | 15.9                                      | 22.5                              | 70.8%                 | 6.6                 | 2.7                           | 245.0%                                              |

*Expressing the net assets available for benefits as a percentage of the pension benefit obligation (PBO) provides one indication of the system's funding status. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Expressing the unfunded PBO as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the system's progress made in accumulating sufficient assets to pay benefits. Generally, the smaller this percentage, the stronger the system.*

This comparative information is only available from FY88 to FY92.

\*Net Assets at cost.

*HIGHWAY PATROL OFFICERS'  
RETIREMENT SYSTEM*



*Alleged to be first automobile brought into Montana. Owned by Hawksworth, who subsequently invented the Hawksworth Drill. Taken in 1902 or 1903. Photo compliments of Montana Historical Society, Helena.*

**STATE OF MONTANA**  
**HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM**

**BALANCE SHEET**

**JUNE 30, 1992**

**ASSETS**

|                            |                     |
|----------------------------|---------------------|
| Cash In Treasury           | \$25,723            |
| Interest Receivable        | 477,340             |
| Accounts Receivable        | 125,412             |
| Corporate Securities       | 15,412,303          |
| U.S. Government Securities | 7,944,127           |
| Canadian Securities        | 540,182             |
| Short Term Investment Pool | 1,274,100           |
| Common Stock               | 4,803,067           |
| Leveraged Buy-Outs         | 340,360             |
| Deferred Gains And Losses  | 236,090             |
| <b>Total Assets</b>        | <b>\$31,178,704</b> |

**LIABILITIES**

|                                          |                     |
|------------------------------------------|---------------------|
| Accounts Payable                         | 11,527              |
| <b>Net Assets Available For Benefits</b> | <b>\$31,167,177</b> |

**FUND BALANCE**

|                                  |                     |
|----------------------------------|---------------------|
| Annuity Savings Reserve          | \$4,005,842         |
| Annuity Savings Interest Reserve | 2,686,437           |
| Pension Accumulation Reserve     | 24,474,898          |
| <b>Total Fund Balance</b>        | <b>\$31,167,177</b> |

*The notes to the financial statements are an integral part of this statement*



**STATE OF MONTANA**  
**HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND BALANCE**

**FOR FISCAL YEARS ENDED JUNE 30, 1992 AND JUNE 30, 1991**

|                                         | 1992                       | 1991                       |
|-----------------------------------------|----------------------------|----------------------------|
| <b>REVENUES</b>                         |                            |                            |
| Retirement Contributions                |                            |                            |
| Member                                  | \$595,529                  | \$464,169                  |
| Employer                                | 1,503,561                  | 903,476                    |
| State                                   | 55,142                     | 0                          |
| Registration Fees                       | 287,593                    | 247,625                    |
| License Fee Collections                 | 587,593                    | 531,295                    |
| Interest Reserve Buyback                | 26                         | 3,325                      |
| Investment Income                       | 2,329,691                  | 2,165,320                  |
| Common Stock Dividends                  | 212,236                    | 215,509                    |
| <b>Total Revenues</b>                   | <u><u>\$5,571,371</u></u>  | <u><u>\$4,530,719</u></u>  |
| <b>EXPENSES</b>                         |                            |                            |
| Benefit Payments                        | \$2,350,083                | \$1,897,390                |
| Refund Of Member Contributions          | 8,700                      | 41,561                     |
| Interest On Refunds                     | 1,490                      | 11,422                     |
| Employer Refund                         | 0                          | 1,939                      |
| Administrative Expense                  | 11,108                     | 7,834                      |
| Investment Expense                      | 3,649                      | 2,922                      |
| <b>Total Expenses</b>                   | <u><u>\$2,375,030</u></u>  | <u><u>\$1,963,068</u></u>  |
| <b>OTHER FINANCING SOURCES - (USES)</b> |                            |                            |
| Prior Year Adjustments                  | (\$221,154)                | (\$5,928)                  |
| Excess Of Revenues Over Expenses        | 2,975,187                  | 2,561,723                  |
| Fund Balance Beginning Of Year          | 28,191,990                 | 25,630,267                 |
| <b>Fund Balance End Of Year</b>         | <u><u>\$31,167,177</u></u> | <u><u>\$28,191,990</u></u> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA  
HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM**

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 1992**

**RESOURCES PROVIDED BY:**

From Operations:

|                                 |                    |
|---------------------------------|--------------------|
| Excess Revenues Over Expenses   | \$2,975,187        |
| <b>Total Resources Provided</b> | <b>\$2,975,187</b> |

**RESOURCES USED BY:**

|                                 |                    |
|---------------------------------|--------------------|
| Net Increase In Working Capital | 2,975,187          |
| <b>Total Resources Used</b>     | <b>\$2,975,187</b> |

**ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL**

|                                  | <b>YEAR ENDED JUNE 30</b> |                     | <b>INCREASE</b>    |
|----------------------------------|---------------------------|---------------------|--------------------|
| <b>CURRENT ASSETS:</b>           | <b>1992</b>               | <b>1991</b>         | <b>(DECREASE)</b>  |
| Cash                             | \$25,723                  | \$80,733            | (\$55,010)         |
| Accrued Interest                 | 477,340                   | 501,325             | (23,985)           |
| Accrued Contributions            | 125,412                   | 46,065              | 79,347             |
| Deferred Gains And Losses        | 236,090                   | 319,795             | (83,705)           |
| Investments:                     |                           |                     |                    |
| Federal Securities               | 5,849,135                 | 2,556,621           | 3,292,514          |
| Corporate Securities             | 16,828,746                | 17,654,679          | (825,933)          |
| Short Term Investment Pool       | 1,274,100                 | 1,968,600           | (694,500)          |
| Common Stock                     | 4,803,067                 | 3,976,712           | 826,355            |
| Securities On Loan               | 1,559,091                 | 1,095,517           | 463,574            |
| <b>Total Current Assets</b>      | <b>\$31,178,704</b>       | <b>\$28,200,047</b> | <b>\$2,978,657</b> |
| <b>CURRENT LIABILITIES:</b>      |                           |                     |                    |
| Accrued Expenses                 | 11,527                    | 8,057               | 3,470              |
| <b>Total Current Liabilities</b> | <b>\$11,527</b>           | <b>\$8,057</b>      | <b>\$3,470</b>     |
| <b>WORKING CAPITAL</b>           | <b>\$31,167,177</b>       | <b>\$28,191,990</b> | <b>\$2,975,187</b> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA  
HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

**PLAN DESCRIPTION**

**1. PLAN MEMBERSHIP**

The Highway Patrol Officers' Retirement System (HPORS) is a statewide defined benefit retirement plan established in 1971 for all Montana highway patrol officers, including supervisors and assistant supervisors. The HPORS is a single-employer, cost-sharing plan.

| <b>HPORS MEMBERSHIP DATA</b>         |                      |                      |
|--------------------------------------|----------------------|----------------------|
|                                      | <b>June 30, 1992</b> | <b>June 30, 1991</b> |
| <b>EMPLOYER &amp; ACTIVE MEMBERS</b> |                      |                      |
| State                                | <u>203</u>           | <u>203</u>           |
| <b>TOTAL</b>                         | <b>203</b>           | <b>203</b>           |
| <b>INACTIVE MEMBERS</b>              |                      |                      |
| Vested                               | 3                    | 2                    |
| Non-vested                           | <u>6</u>             | <u>4</u>             |
| <b>TOTAL</b>                         | <b>9</b>             | <b>6</b>             |
| <b>RETIREEES &amp; BENEFICIARIES</b> |                      |                      |
| Retirees                             | 174                  | 162                  |
| Disabilities                         | 11                   | 12                   |
| Survivors                            | <u>16</u>            | <u>17</u>            |
| <b>TOTAL</b>                         | <b>201</b>           | <b>191</b>           |

**2. PLAN BENEFITS**

**A. PENSION BENEFITS**

A member employed prior to July 1, 1985 may retire with a regular service retirement benefit after completing 20 years of membership service. A member employed after July 1, 1985, may retire after attaining age 50 with 20 years of service. The retirement benefit, payable monthly for life, is based on the following formula:

|                                                      |
|------------------------------------------------------|
| <b>HPORS BENEFIT FORMULA</b>                         |
| 2.5% X Years of Service X Final Average Salary (FAS) |

**STATE OF MONTANA**  
**HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

FAS is the average of the member's highest monthly pay during any 36 consecutive months of membership service.

**B. DEFERRED BENEFIT**

A vested member (one who has completed at least five years of service) leaving covered employment before attaining regular retirement eligibility is eligible for a monthly benefit upon his request (actuarially reduced from age 60), provided the accumulated contributions are left on deposit.

**C. DISABILITY BENEFIT**

A member who becomes totally and permanently disabled is eligible for a disability benefit equal to:

- 1) the actuarial equivalent of the service retirement benefit earned, *or*
- 2) if the disability was incurred in the line of duty, not less than one-half of the member's FAS.

The benefit will continue to the retiree's surviving spouse or dependent child(ren) upon the retiree's death.

**D. DEATH BENEFIT**

Upon the death of an active member of the system, the surviving spouse or dependent child(ren) is entitled to a monthly benefit which is the actuarial equivalent of the early retirement benefit earned by the member. If the death is duty-related, the survivor's benefit will not be less than one-half the member's FAS.

**E. BENEFIT ENHANCEMENTS AFTER RETIREMENT**

Monthly benefits are increased when they fall below a statutorily guaranteed minimum which is calculated by substituting the current base salary of a probationary highway patrol officer for the member's FAS in the benefit formula. Any annual increase is limited to 5% over the current benefit.

Montana highway patrol officers, retired prior to July 1, 1991, or their surviving spouses may be eligible for an annual supplemental lump-sum payment funded by a portion of each motor vehicle registration fee. Many factors must be considered for eligibility, among them are number of years receiving a retirement benefit and age of recipient.

The 1991 Montana Legislature enacted Senate Bill 226 made all pension payments subject to state taxation and provided for an annual benefit adjustment payment

**STATE OF MONTANA  
HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

to be made to all retirees who are residents of the State of Montana. During fiscal year 1992, eligible recipients received an increase of 2.77%.

**3. FUNDING REQUIREMENTS**

**A. MEMBER CONTRIBUTIONS**

Member contributions for fiscal year 1992 are set by statute at 9% of monthly compensation and are deducted from each member's salary and remitted by the employer. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed.

**B. EMPLOYER CONTRIBUTIONS**

During fiscal year 1992, the State contributes an amount equal to 36.28% of total covered payroll to the retirement system on a monthly basis. 26.20% is payable from the same source used to pay the members' compensation and the remaining 10.18% from a portion of the fees collected from drivers' licenses and duplicate drivers' license applications.

**ACTUARIAL COST METHOD**

Refer to the *Actuarial Section*.

**FUNDING REQUIREMENTS & ACTUAL CONTRIBUTIONS**

The aggregate contribution rate of 45.28% (member and employer) funds the normal cost contribution rate of 27.31%. The 17.9% difference is applied to amortize the unfunded liability of the system. Employer and member contributions for the year totalled \$2,154,232.

**SIGNIFICANT ACCOUNTING & FINANCIAL REPORTING POLICIES**

**1. METHOD OF ACCOUNTING**

Refer to the *Appendix* for standard accounting policies.

**STATE OF MONTANA  
HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

2. **VALUATION OF INVESTMENTS**

See *Appendix* for investment policies as these policies are standard for all funds. The following is the listing of investments at fiscal year end:

| <b>HPORS INVESTMENTS</b>   |           |                   |           |                   |
|----------------------------|-----------|-------------------|-----------|-------------------|
| <u>Type</u>                |           | <u>Cost</u>       |           | <u>Market</u>     |
| Corporate Securities       | \$        | 15,412,302        | \$        | 16,037,936        |
| US Government Securities   |           | 7,944,127         |           | 8,274,321         |
| Canadian Securities        |           | 540,182           |           | 658,861           |
| Short Term Investment Pool |           | 1,274,100         |           | 1,274,100         |
| Mont-Comp (Common Stock)   |           | 4,803,067         |           | 7,653,069         |
| Leveraged Buy-Outs         |           | <u>340,360</u>    |           | <u>538,148</u>    |
| <b>TOTAL INVESTMENTS</b>   | <b>\$</b> | <b>30,314,138</b> | <b>\$</b> | <b>34,436,435</b> |

**STATE OF MONTANA**  
**HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM**  
**ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS**

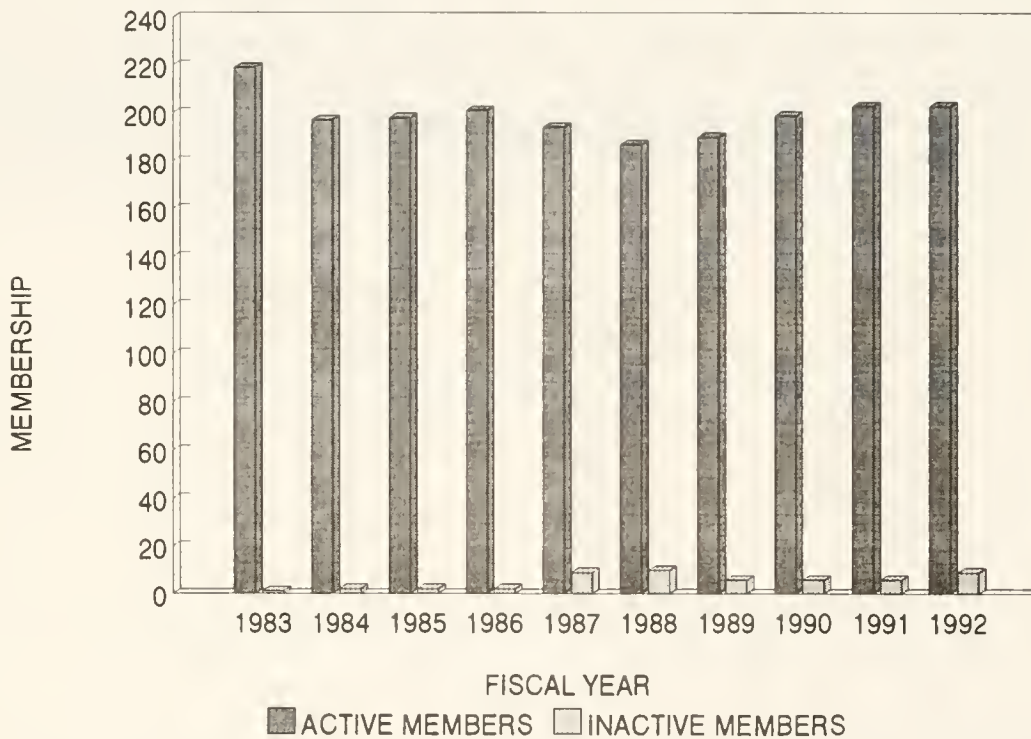
| <b>FISCAL<br/>YEAR</b> | <b>REVENUES</b> | <b>EXPENSES</b> | <b>ANNUAL<br/>ADDITIONS</b> | <b>NET ASSETS<br/>AVAILABLE</b> |
|------------------------|-----------------|-----------------|-----------------------------|---------------------------------|
| 06/30/83               | 2,233,653       | 760,003         | 1,473,650                   | 10,032,953                      |
| 06/30/84               | 2,298,056       | 824,958         | 1,473,098                   | 11,506,051                      |
| 06/30/85               | 2,530,893       | 850,627         | 1,680,266                   | 13,186,317                      |
| 06/30/86               | 3,672,597       | 993,373         | 2,679,224                   | 15,865,541                      |
| 06/30/87               | 3,776,707       | 1,206,340       | 2,570,367                   | 18,435,908                      |
| 06/30/88               | 3,871,564       | 1,404,488       | 2,467,076                   | 20,902,984                      |
| 06/30/89               | 3,911,702       | 1,925,343       | 1,986,359                   | 22,889,343                      |
| 06/30/90               | 4,458,092       | 1,717,168       | 2,740,924                   | 25,630,267                      |
| 06/30/91               | 4,530,719       | 1,968,996       | 2,561,723                   | 28,191,990                      |
| 06/30/92               | 5,571,371       | 2,596,184       | 2,975,187                   | 31,167,177                      |

**CONTRIBUTION RATES**

| <b>FISCAL<br/>YEAR</b> | <b>EMPLOYEE<br/>PERCENT</b> | <b>EMPLOYER<br/>PERCENT</b> |
|------------------------|-----------------------------|-----------------------------|
| 1979 - 1981            | 6.50                        | 16.00                       |
| 1982 - 1985            | 6.50                        | 16.57                       |
| 1986 - 1991            | 7.59                        | 26.75                       |
| 1992                   | 9.00                        | 36.28                       |

**STATE OF MONTANA**  
**HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM**  
**MEMBERSHIP**

| <b>Fiscal Year</b> | <b>Active Members</b> | <b>Inactive Members</b> | <b>Total</b> |
|--------------------|-----------------------|-------------------------|--------------|
| 06/30/83           | 219                   | 1                       | 220          |
| 06/30/84           | 197                   | 2                       | 199          |
| 06/30/85           | 198                   | 2                       | 200          |
| 06/30/86           | 201                   | 2                       | 203          |
| 06/30/87           | 194                   | 9                       | 203          |
| 06/30/88           | 187                   | 10                      | 197          |
| 06/30/89           | 190                   | 6                       | 196          |
| 06/30/90           | 199                   | 6                       | 205          |
| 06/30/91           | 203                   | 6                       | 209          |
| 06/30/92           | 203                   | 9                       | 212          |

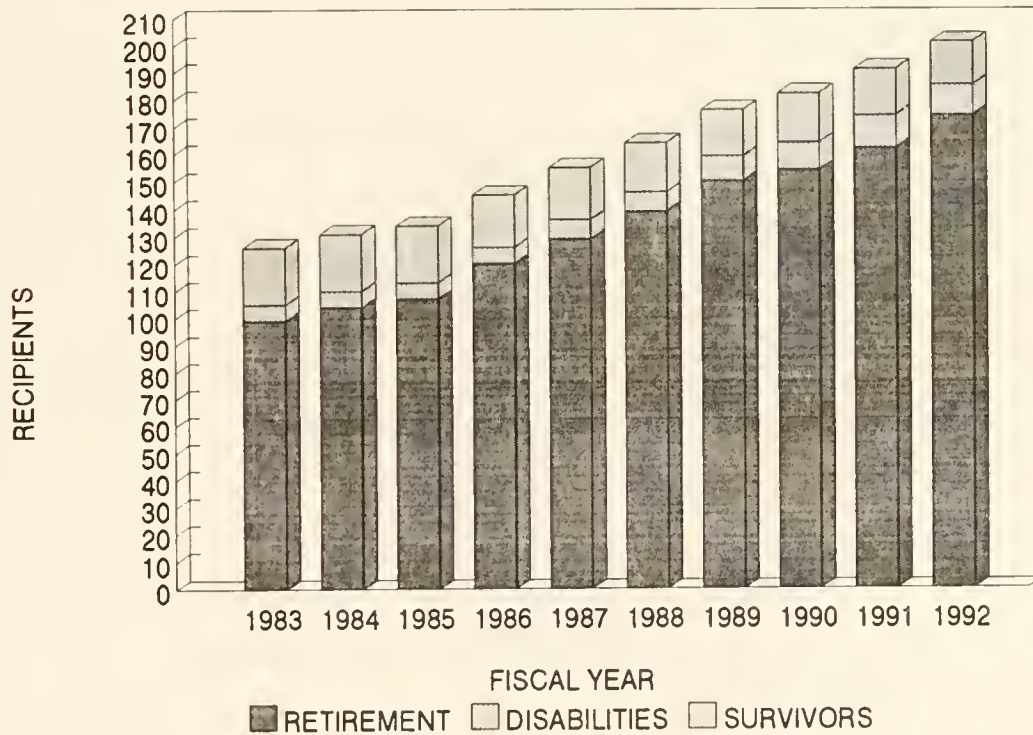




**STATE OF MONTANA  
HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM**

**RETIRED MEMBERS AND BENEFIT RECIPIENTS**

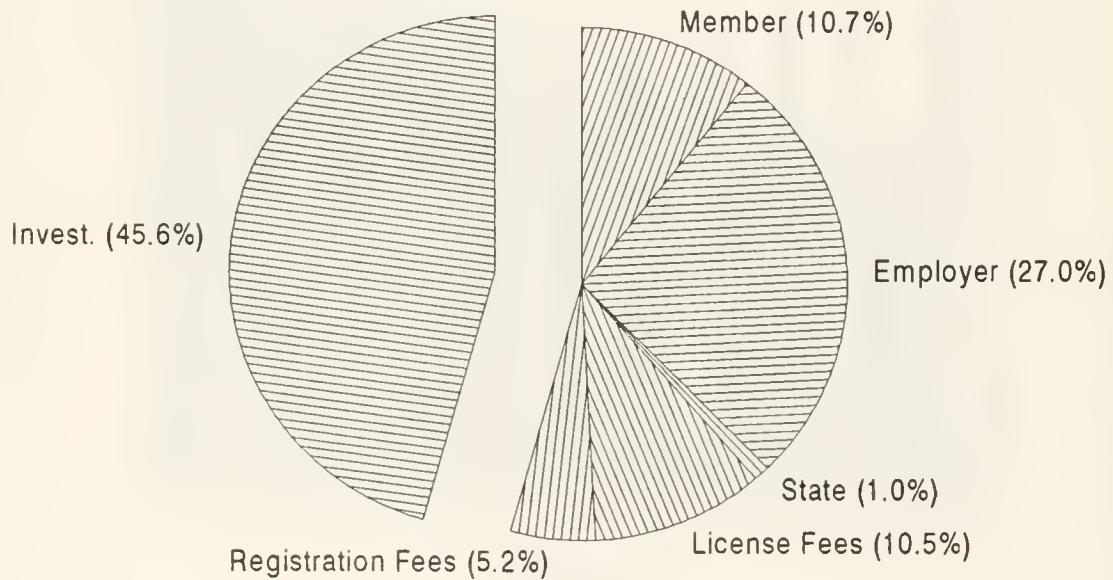
| <b>Fiscal Year</b> | <b>Retirement</b> | <b>Disability</b> | <b>Survivors</b> | <b>Total</b> |
|--------------------|-------------------|-------------------|------------------|--------------|
| 06/30/83           | 99                | 6                 | 21               | 126          |
| 06/30/84           | 104               | 6                 | 21               | 131          |
| 06/30/85           | 107               | 6                 | 21               | 134          |
| 06/30/86           | 120               | 6                 | 19               | 145          |
| 06/30/87           | 129               | 7                 | 19               | 155          |
| 06/30/88           | 139               | 7                 | 18               | 164          |
| 06/30/89           | 150               | 9                 | 17               | 176          |
| 06/30/90           | 154               | 10                | 18               | 182          |
| 06/30/91           | 162               | 12                | 17               | 191          |
| 06/30/92           | 174               | 11                | 16               | 201          |



**STATE OF MONTANA**  
**HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM**  
**COMPARATIVE SUMMARY OF REVENUES BY SOURCE**

| <i>Fiscal<br/>Year</i> | <i>Contributions</i> |                 |              | <i>License<br/>Fees</i> | <i>Regis<br/>Fees</i> | <i>Investment<br/>Income</i> | <i>Total</i> |
|------------------------|----------------------|-----------------|--------------|-------------------------|-----------------------|------------------------------|--------------|
|                        | <i>Member</i>        | <i>Employer</i> | <i>State</i> |                         |                       |                              |              |
| 06/30/83               | 399,942              | 919,137         | 0            | 0                       | 0                     | 914,574                      | 2,233,653    |
| 06/30/84               | 376,444              | 826,266         | 0            | 0                       | 0                     | 1,095,346                    | 2,298,056    |
| 06/30/85               | 385,702              | 857,476         | 0            | 0                       | 0                     | 1,287,715                    | 2,530,893    |
| 06/30/86               | 487,531              | 881,180         | 0            | 650,619                 | 0                     | 1,653,267                    | 3,672,597    |
| 06/30/87               | 464,598              | 874,408         | 0            | 654,896                 | 0                     | 1,782,805                    | 3,776,707    |
| 06/30/88               | 448,324              | 843,118         | 0            | 645,131                 | 0                     | 1,934,991                    | 3,871,564    |
| 06/30/89               | 439,807              | 893,383         | 0            | 417,881                 | 0                     | 2,160,631                    | 3,911,702    |
| 06/30/90               | 449,680              | 890,069         | 0            | 605,896                 | 205,572               | 2,306,875                    | 4,458,092    |
| 06/30/91               | 467,494              | 903,476         | 0            | 531,295                 | 247,625               | 2,380,829                    | 4,530,719    |
| 06/30/92               | 595,555              | 1,503,561       | 55,142       | 587,593                 | 287,593               | 2,541,927                    | 5,571,371    |

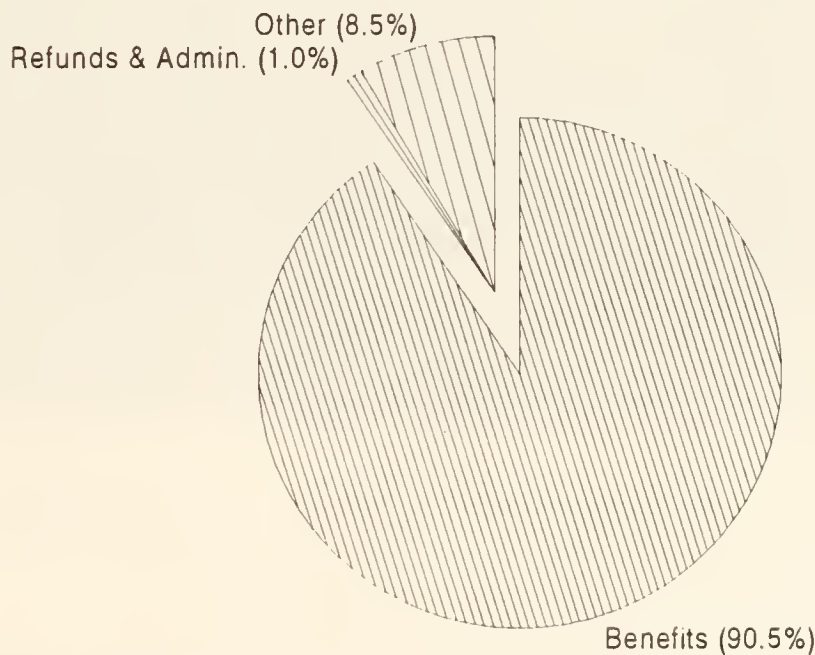
**REVENUES FOR FISCAL YEAR 92**



**STATE OF MONTANA**  
**HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM**  
**COMPARATIVE SUMMARY OF EXPENSES BY TYPE**

| <i>Fiscal Year</i> | <i>Benefits</i> | <i>Refunds</i> | <i>Admin Expenses*</i> | <i>Other**</i> | <i>Total</i> |
|--------------------|-----------------|----------------|------------------------|----------------|--------------|
| 06/30/83           | 753,153         | 346            | 8,205                  | (1,701)        | 760,003      |
| 06/30/84           | 805,749         | 11,815         | 10,217                 | (2,823)        | 824,958      |
| 06/30/85           | 843,029         | 1,911          | 9,434                  | (3,747)        | 850,627      |
| 06/30/86           | 974,114         | 1,696          | 11,431                 | 6,132          | 993,373      |
| 06/30/87           | 1,159,078       | 34,022         | 13,240                 | 0              | 1,206,340    |
| 06/30/88           | 1,388,129       | 3,130          | 14,388                 | (1,159)        | 1,404,488    |
| 06/30/89           | 1,560,984       | 35,699         | 10,251                 | 318,409        | 1,925,343    |
| 06/30/90           | 1,698,352       | 2,069          | 10,033                 | 6,714          | 1,717,168    |
| 06/30/91           | 1,897,390       | 52,982         | 10,756                 | 7,868          | 1,968,996    |
| 06/30/92           | 2,350,083       | 10,190         | 14,757                 | 221,154        | 2,596,184    |

**EXPENSES FOR FISCAL YEAR 92**



\*Includes Investment Expense

\*\*Includes Prior Year Adjustments

**STATE OF MONTANA  
HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM**

**ANALYSIS OF FUNDING PROGRESS**

*(In millions of dollars)*

| <i>Fiscal Year</i> | <i>Net Assets Available For Benefits*</i> | <i>Pension Benefit Obligation</i> | <i>Percent Funded</i> | <i>Unfunded PBO</i> | <i>Annual Covered Payroll</i> | <i>Unfunded PBO As A Percent Of Covered Payroll</i> |
|--------------------|-------------------------------------------|-----------------------------------|-----------------------|---------------------|-------------------------------|-----------------------------------------------------|
| 1988               | \$20.9                                    | \$40.8                            | 51.2%                 | \$19.9              | \$4.9                         | 406.1%                                              |
| 1989               | 22.9                                      | 42.8                              | 53.5%                 | 19.9                | 4.8                           | 414.6%                                              |
| 1990               | 25.6                                      | 45.7                              | 56.0%                 | 20.1                | 5.2                           | 386.5%                                              |
| 1991               | 28.2                                      | 53.0                              | 53.2%                 | 24.8                | 5.2                           | 476.9%                                              |
| 1992               | 31.2                                      | 57.0                              | 54.7%                 | 25.9                | 5.6                           | 463.8%                                              |

*Expressing the net assets available for benefits as a percentage of the pension benefit obligation (PBO) provides one indication of the system's funding status. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Expressing the unfunded PBO as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the system's progress made in accumulating sufficient assets to pay benefits. Generally, the smaller this percentage, the stronger the system.*

This comparative information is only available from FY88 to FY92.

\*Net Assets at cost.

*FIREFIGHTERS' UNIFIED  
RETIREMENT SYSTEM*



*Fire Department-Livingston, Montana. Late 1890's or early 1900's.  
Photo compliments of Montana Historical Society, Helena.*

**STATE OF MONTANA  
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM**

**BALANCE SHEET**

**JUNE 30, 1992**

**ASSETS**

|                            |                            |
|----------------------------|----------------------------|
| Cash In Treasury           | \$8,406                    |
| Interest Receivable        | 682,506                    |
| Accounts Receivable        | 3,632,424                  |
| Corporate Securities       | 22,223,398                 |
| U.S. Government Securities | 7,632,568                  |
| Canadian Securities        | 1,270,516                  |
| Short Term Investment Pool | 1,097,100                  |
| Common Stock               | 5,548,435                  |
| Preferred Stock            | 45,500                     |
| Leveraged Buy - Outs       | 340,360                    |
| Deferred Gains And Losses  | <u>(199,218)</u>           |
| <b>Total Assets</b>        | <b><u>\$42,281,995</u></b> |

**LIABILITIES**

|                                          |                            |
|------------------------------------------|----------------------------|
| Accounts Payable                         | 23,846                     |
| Deferred Revenue                         | <u>53</u>                  |
| <b>Net Assets Available For Benefits</b> | <b><u>\$42,258,096</u></b> |

**FUND BALANCE**

|                                  |                            |
|----------------------------------|----------------------------|
| Annuity Savings Reserve          | \$6,180,849                |
| Annuity Savings Interest Reserve | 3,850,766                  |
| Pension Accumulation Reserve     | <u>32,226,481</u>          |
| <b>Total Fund Balance</b>        | <b><u>\$42,258,096</u></b> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA  
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM**

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND BALANCE**

**FOR FISCAL YEARS ENDED JUNE 30, 1992 AND JUNE 30, 1991**

|                                         | 1992                | 1991                |
|-----------------------------------------|---------------------|---------------------|
| <b>REVENUES</b>                         |                     |                     |
| Retirement Contributions                |                     |                     |
| Member                                  | \$668,192           | \$641,256           |
| Employer                                | 1,443,810           | 1,385,387           |
| State                                   | 3,604,401           | 3,323,318           |
| Interest Reserve Buyback                | 165                 | 1,311               |
| Investment Income                       | 3,091,871           | 3,001,725           |
| Common Stock Dividends                  | 210,676             | 201,699             |
| City Held Investment                    | 0                   | 4,236               |
| <b>Total Revenues</b>                   | <b>\$9,019,115</b>  | <b>\$8,558,932</b>  |
| <b>EXPENSES</b>                         |                     |                     |
| Benefit Payments                        | \$4,851,366         | \$4,494,381         |
| Refund Of Member Contributions          | 27,924              | 3,141               |
| Interest On Refunds                     | 6,006               | 178                 |
| Administrative Expense                  | 23,450              | 16,537              |
| Investment Expense                      | 4,698               | 4,002               |
| <b>Total Expenses</b>                   | <b>\$4,913,444</b>  | <b>\$4,518,239</b>  |
| <b>OTHER FINANCING SOURCES - (USES)</b> |                     |                     |
| Prior Year Adjustments                  | (\$85,403)          | (\$6,060)           |
| Excess Of Revenues Over Expenses        | 4,020,268           | 4,034,633           |
| Fund Balance Beginning Of Year          | 38,237,828          | 34,203,195          |
| <b>Fund Balance End Of Year</b>         | <b>\$42,258,096</b> | <b>\$38,237,828</b> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA**  
**FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM**  
**STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1992**

**RESOURCES PROVIDED BY:**

From Operations:

|                                 |                    |
|---------------------------------|--------------------|
| Excess Revenues Over Expenses   | \$4,020,268        |
| <b>Total Resources Provided</b> | <b>\$4,020,268</b> |

**RESOURCES USED BY:**

Net Increase In Working Capital

|                             |                    |
|-----------------------------|--------------------|
|                             | \$4,020,268        |
| <b>Total Resources Used</b> | <b>\$4,020,268</b> |

**ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL**

| <b>CURRENT ASSETS:</b>           | <b>YEAR ENDED JUNE 30</b> |                     | <b>INCREASE<br/>(DECREASE)</b> |
|----------------------------------|---------------------------|---------------------|--------------------------------|
|                                  | <b>1992</b>               | <b>1991</b>         |                                |
| Cash                             | \$8,406                   | \$10,720            | (\$2,314)                      |
| Accrued Interest                 | 682,506                   | 670,602             | 11,904                         |
| Accrued Contributions            | 3,632,424                 | 3,785,249           | (152,825)                      |
| Deferred Gains And Losses        | (199,218)                 | (105,831)           | (93,387)                       |
| Investments:                     |                           |                     |                                |
| Federal Securities               | 4,232,525                 | 3,682,802           | 549,723                        |
| Corporate Securities             | 24,623,567                | 22,057,132          | 2,566,435                      |
| Short Term Investment Pool       | 1,097,100                 | 1,581,600           | (484,500)                      |
| Common Stock                     | 5,548,435                 | 4,347,810           | 1,200,625                      |
| Securities On Loan               | 2,656,250                 | 2,224,759           | 431,491                        |
| <b>Total Current Assets</b>      | <b>\$42,281,995</b>       | <b>\$38,254,843</b> | <b>\$4,027,152</b>             |
| <b>CURRENT LIABILITIES:</b>      |                           |                     |                                |
| Accrued Expenses                 | 23,846                    | 16,832              | 7,014                          |
| Deferred Revenue                 | 53                        | 183                 | (130)                          |
| <b>Total Current Liabilities</b> | <b>\$23,899</b>           | <b>\$17,015</b>     | <b>\$6,884</b>                 |
| <b>WORKING CAPITAL</b>           | <b>\$42,258,096</b>       | <b>\$38,237,828</b> | <b>\$4,020,268</b>             |

*The notes to the financial statements are an integral part of this statement*



**STATE OF MONTANA  
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

**PLAN DESCRIPTION**

**1. PLAN MEMBERSHIP**

The Firefighters' Unified Retirement System (FURS) is a statewide defined benefit retirement plan established in 1981 for firefighters employed by first and second class cities and those other cities that wish to adopt the Plan. The FURS is a multiple-employer, cost-sharing plan.

| <b>FURS MEMBERSHIP DATA</b>                                                   |                      |                      |
|-------------------------------------------------------------------------------|----------------------|----------------------|
|                                                                               | <b>June 30, 1992</b> | <b>June 30, 1991</b> |
| <b>EMPLOYERS &amp; ACTIVE MEMBERS</b>                                         |                      |                      |
| Anaconda                                                                      | 6                    | 5                    |
| Billings                                                                      | 103                  | 103                  |
| Bozeman                                                                       | 23                   | 22                   |
| Butte                                                                         | 33                   | 34                   |
| Glendive*                                                                     | 21                   | 18                   |
| Great Falls                                                                   | 60                   | 63                   |
| Havre                                                                         | 18                   | 16                   |
| Helena                                                                        | 33                   | 32                   |
| Kalispell                                                                     | 20                   | 20                   |
| Lewistown*                                                                    | 16                   | 14                   |
| Livingston*                                                                   | 12                   | 12                   |
| Miles City*                                                                   | 13                   | 13                   |
| Missoula                                                                      | 60                   | 61                   |
| Red Lodge                                                                     | <u>2</u>             | <u>3</u>             |
| <b>TOTAL</b>                                                                  | <b>420</b>           | <b>416</b>           |
| <b>INACTIVE MEMBERS</b>                                                       |                      |                      |
| Vested                                                                        | 11                   | 11                   |
| Non-vested                                                                    | <u>15</u>            | <u>18</u>            |
| <b>TOTAL</b>                                                                  | <b>26</b>            | <b>29</b>            |
| <b>RETIREES &amp; BENEFICIARIES</b>                                           |                      |                      |
| Retirees                                                                      | 255                  | 251                  |
| Disabilities                                                                  | 113                  | 112                  |
| Survivors                                                                     | <u>33</u>            | <u>33</u>            |
| <b>TOTAL</b>                                                                  | <b>401</b>           | <b>396</b>           |
| * Participating members for these cities also include part-paid firefighters. |                      |                      |

**STATE OF MONTANA  
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

**2. PLAN BENEFITS**

**A. PENSION BENEFITS**

A member may retire with a service retirement benefit after both completing ten years of membership service and attaining minimum service retirement age of 50. The retirement benefit, payable monthly for life, is based on the following formulas:

**FURS BENEFIT FORMULA**

- 1) For members hired before July 1, 1981:  
 $50\% \times \text{Final Monthly Compensation (FMC)} +$   
 $1\% \times \text{Years of Service over 20} \times \text{FMC}$   
(Maximum benefit is 60% of FMC)
  
- 2) For members hired on or after July 1, 1981:  
 $2\% \times \text{Years of Service (30 years maximum)} \times$   
 $\text{Final Average Salary (FAS)}$   
(Maximum benefit is 60% of FAS)

For members hired prior to July 1, 1981, benefits are calculated based on FMC which is the regular monthly salary (excluding overtime, holiday pay, shift differentials, compensatory time payments, and payments in lieu of sick leave) last received by the member. For members hired on or after July 1, 1981, benefits are calculated based on FAS which is the average of the member's regular monthly pay during the last 36 months of service.

**B. DEFERRED BENEFIT**

A vested member (one who has completed at least ten years of service) leaving covered employment before attaining retirement age is eligible for a monthly benefit beginning on the first day of the month following the date he attains age 50, provided the accumulated contributions are left on deposit.

**C. DISABILITY BENEFIT**

A member who becomes totally and permanently disabled is eligible for a disability benefit equal to one-half of FMC (or FAS) plus 1% of FMC (or FAS) for each year in excess of 20 years of service, up to a maximum of 60% FMC (or FAS). Upon death, the surviving spouse or dependent child(ren) will continue to receive the benefit.

**STATE OF MONTANA  
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

**D. DEATH BENEFIT**

Upon the death of an active member of the system, the surviving spouse (or dependent child(ren) if there is no surviving spouse), is entitled to a monthly benefit equal to one-half the member's FMC (or FAS). If the deceased member had more than 20 years of service, the survivor's benefit will be increased by 1% of FMC (or FAS) for each year in excess of 20 years, up to a maximum of 60% of FMC (or FAS).

**E. BENEFIT ENHANCEMENTS AFTER RETIREMENT**

The minimum monthly retirement benefit must be at least one-half of the salary of a newly confirmed firefighter employed by the city from which the member retired.

The 1991 Montana Legislature enacted Senate Bill 226 made all pension payments subject to state taxation and provided for an annual benefit adjustment payment to be made to all retirees who are residents of the State of Montana. During fiscal year 1992, eligible recipients received an increase of 2.85%.

**3. FUNDING REQUIREMENT**

**A. MEMBER CONTRIBUTIONS**

Member contributions rates for fiscal year 1992 are set by statute at 6% of regular compensation and are deducted from each member's salary and remitted by participating employers. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed.

**B. EMPLOYER CONTRIBUTIONS**

During fiscal year 1992, each participating city contributes 13.02% of total FURS-covered payroll to the retirement system on a monthly basis.

**C. STATE CONTRIBUTIONS**

The State contributes 23.27% of the total annual compensation of firefighters covered by this system. A single annual payment is made from the insurance premium tax fund to the retirement system.

**STATE OF MONTANA  
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

**D. SUPPLEMENTAL BENEFIT CONTRIBUTIONS**

A single annual payment is received made by the State Auditor's office, from the insurance premium tax fund, to fund the supplemental retirement benefits for pre-1973 retirees and post-81 hires. The amount received for fiscal year 1992 was \$1,008,872.

**ACTUARIAL COST METHOD**

Refer to the *Actuarial Section*.

**FUNDING REQUIREMENTS & ACTUAL CONTRIBUTIONS**

The aggregate contribution rate of 42.29% (employer, member and State) funds the normal cost contribution rate of 21.31%. The 20.98% difference is applied to amortize the unfunded liability of the system. Employer, member, and State contributions for the year totalled \$5,716,403.

**SIGNIFICANT ACCOUNTING & FINANCIAL REPORTING POLICIES**

**1. METHOD OF ACCOUNTING**

Refer to the *Appendix* for standard accounting policies.

**2. VALUATION OF INVESTMENTS**

See *Appendix* for investment policies as these policies are standard for all funds. The following is the listing of investments at fiscal year end:

| <b>FURS INVESTMENTS</b>    |           |                   |           |                   |
|----------------------------|-----------|-------------------|-----------|-------------------|
| <u>Type</u>                |           | <u>Cost</u>       |           | <u>Market</u>     |
| Corporate Securities       | \$        | 22,223,398        | \$        | 22,988,937        |
| US Government Securities   |           | 7,632,568         |           | 8,020,347         |
| Canadian Securities        |           | 1,270,515         |           | 1,371,329         |
| Utilities                  |           | 45,500            |           | 30,940            |
| Short Term Investment Pool |           | 1,097,100         |           | 1,097,100         |
| Mont-Comp (Common Stock)   |           | 5,548,435         |           | 7,740,206         |
| Leveraged Buy-Outs         |           | <u>340,360</u>    |           | <u>538,148</u>    |
| <b>TOTAL INVESTMENTS</b>   | <b>\$</b> | <b>38,157,876</b> | <b>\$</b> | <b>41,787,007</b> |

**STATE OF MONTANA  
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM**

**ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS**

| FISCAL<br>YEAR | REVENUES  | EXPENSES  | ANNUAL<br>ADDITIONS | NET ASSETS<br>AVAILABLE |
|----------------|-----------|-----------|---------------------|-------------------------|
| 06/30/83       | 4,703,102 | 2,786,673 | 1,916,429           | 12,322,755              |
| 06/30/84       | 5,728,700 | 3,042,538 | 2,686,162           | 15,008,917              |
| 06/30/85       | 6,153,178 | 3,926,424 | 2,226,754           | 17,235,671              |
| 06/30/86       | 6,846,543 | 3,526,834 | 3,319,709           | 20,555,380              |
| 06/30/87       | 6,799,905 | 3,789,039 | 3,010,866           | 23,566,246              |
| 06/30/88       | 7,156,240 | 4,093,718 | 3,062,522           | 26,628,768              |
| 06/30/89       | 7,736,102 | 3,985,978 | 3,750,124           | 30,378,892              |
| 06/30/90       | 8,103,073 | 4,278,770 | 3,824,303           | 34,203,195              |
| 06/30/91       | 8,558,932 | 4,524,299 | 4,034,633           | 38,237,828              |
| 06/30/92       | 9,019,115 | 4,998,847 | 4,020,268           | 42,258,096              |

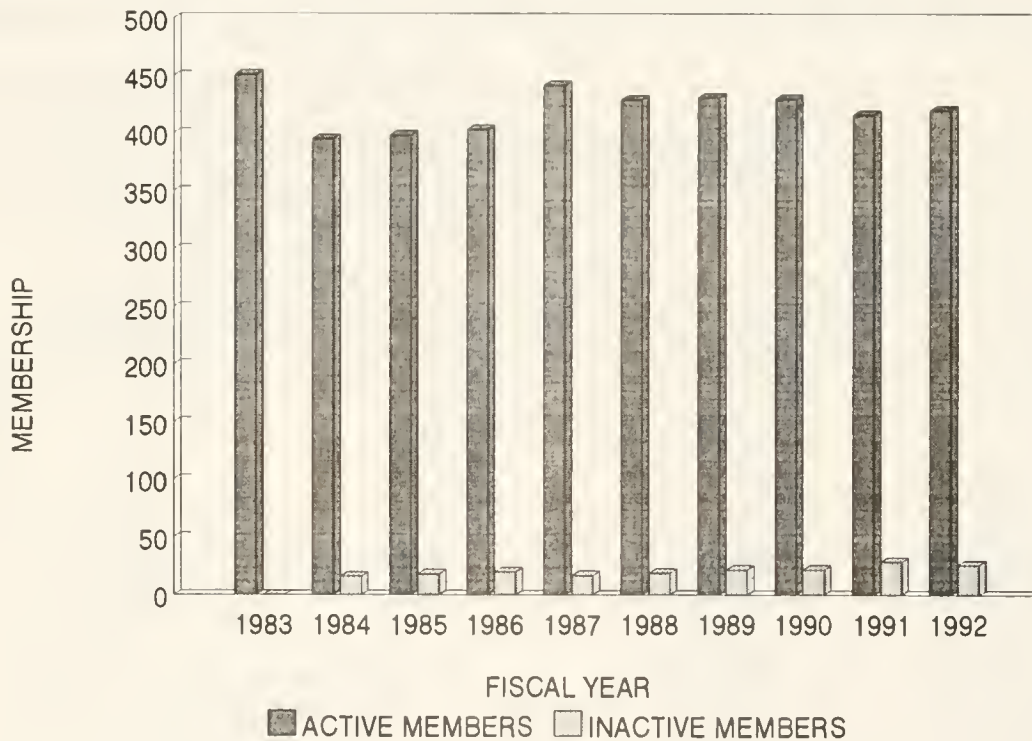
**CONTRIBUTION RATES**

| FISCAL<br>YEAR | EMPLOYEE<br>PERCENT | EMPLOYER<br>PERCENT | STATE<br>PERCENT |
|----------------|---------------------|---------------------|------------------|
| 1982           | 6.00                | 12.00               | 12.00            |
| 1983           | 6.00                | 15.00               | 15.00            |
| 1984 - 1985    | 6.00                | 18.00               | 18.00            |
| 1986 - 1991    | 6.00                | 13.02               | 22.98            |
| 1992           | 6.00                | 13.02               | 23.27            |

**STATE OF MONTANA  
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM**

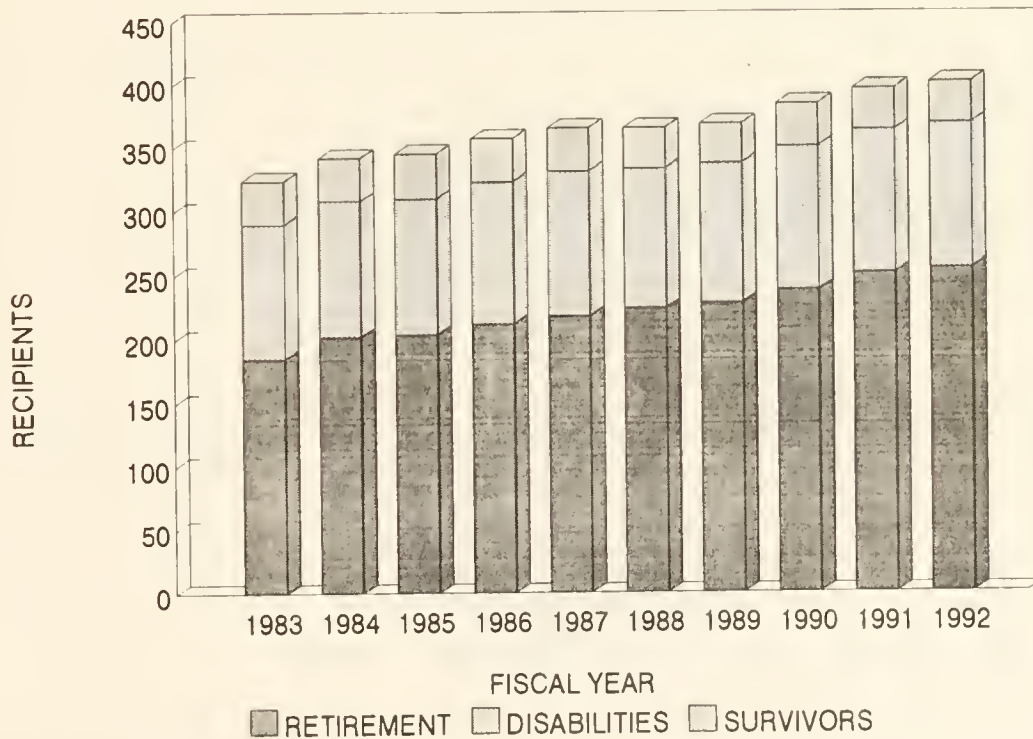
**MEMBERSHIP**

| <b>Fiscal Year</b> | <b>Active Members</b> | <b>Inactive Members</b> | <b>Total</b> |
|--------------------|-----------------------|-------------------------|--------------|
| 06/30/83           | 451                   | 0                       | 451          |
| 06/30/84           | 395                   | 16                      | 411          |
| 06/30/85           | 398                   | 18                      | 416          |
| 06/30/86           | 403                   | 20                      | 423          |
| 06/30/87           | 442                   | 17                      | 459          |
| 06/30/88           | 429                   | 19                      | 448          |
| 06/30/89           | 431                   | 22                      | 453          |
| 06/30/90           | 430                   | 22                      | 452          |
| 06/30/91           | 416                   | 29                      | 445          |
| 06/30/92           | 420                   | 26                      | 446          |



**STATE OF MONTANA  
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM  
RETIRED MEMBERS AND BENEFIT RECIPIENTS**

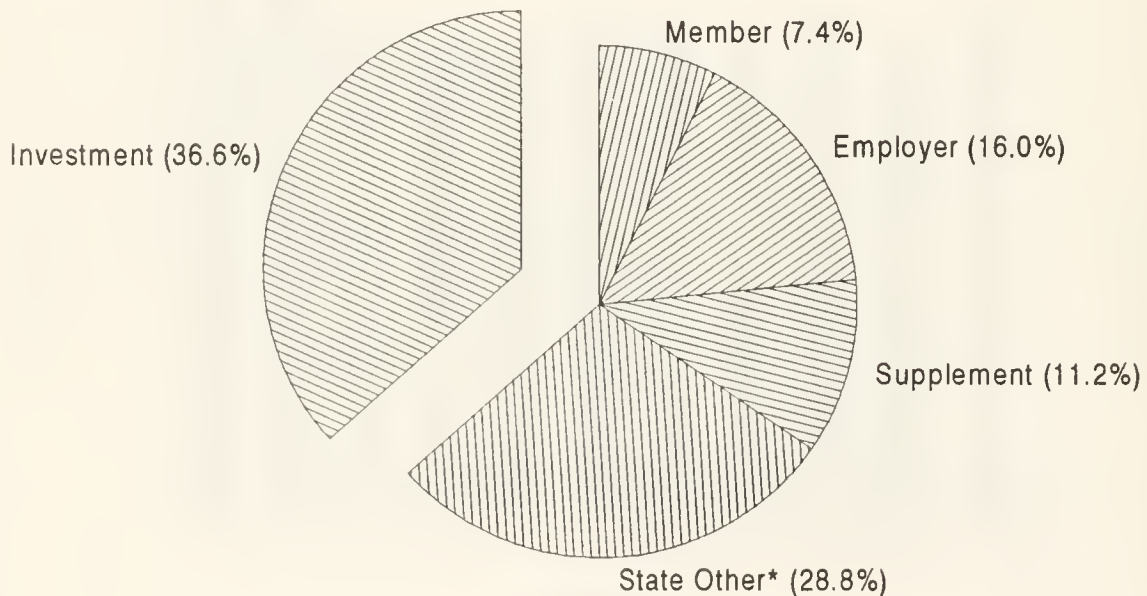
| Fiscal Year | Retirement | Disability | Survivors | Total |
|-------------|------------|------------|-----------|-------|
| 06/30/83    | 185        | 105        | 34        | 324   |
| 06/30/84    | 202        | 106        | 34        | 342   |
| 06/30/85    | 204        | 106        | 35        | 345   |
| 06/30/86    | 212        | 111        | 34        | 357   |
| 06/30/87    | 218        | 113        | 34        | 365   |
| 06/30/88    | 224        | 109        | 32        | 365   |
| 06/30/89    | 228        | 109        | 31        | 368   |
| 06/30/90    | 238        | 112        | 34        | 384   |
| 06/30/91    | 251        | 112        | 33        | 396   |
| 06/30/92    | 255        | 113        | 33        | 401   |



**STATE OF MONTANA  
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM  
COMPARATIVE SUMMARY OF REVENUES BY SOURCE**

| <i>Fiscal<br/>Year</i> | <i>Contributions</i> |                 | <i>State</i>      |               | <i>Investment</i> | <i>Total</i> |
|------------------------|----------------------|-----------------|-------------------|---------------|-------------------|--------------|
|                        | <i>Member</i>        | <i>Employer</i> | <i>Supplement</i> | <i>Other*</i> | <i>Income</i>     |              |
| 06/30/83               | 470,055              | 1,169,642       | 816,467           | 1,171,450     | 1,075,488         | 4,703,102    |
| 06/30/84               | 511,079              | 1,490,980       | 889,517           | 1,452,754     | 1,384,370         | 5,728,700    |
| 06/30/85               | 520,534              | 1,549,402       | 920,527           | 1,510,803     | 1,651,912         | 6,153,178    |
| 06/30/86               | 539,886              | 1,236,716       | 967,522           | 1,792,021     | 2,310,399         | 6,846,544    |
| 06/30/87               | 553,959              | 1,210,874       | 972,053           | 2,061,424     | 2,001,595         | 6,799,905    |
| 06/30/88               | 572,011              | 1,230,022       | 965,237           | 2,125,361     | 2,263,608         | 7,156,239    |
| 06/30/89               | 595,142              | 1,293,491       | 934,172           | 2,227,326     | 2,685,971         | 7,736,102    |
| 06/30/90               | 601,765              | 1,305,728       | 942,490           | 2,281,430     | 2,971,661         | 8,103,074    |
| 06/30/91               | 642,567              | 1,385,387       | 979,856           | 2,343,461     | 3,207,661         | 8,558,932    |
| 06/30/92               | 668,357              | 1,443,810       | 1,008,873         | 2,595,528     | 3,302,547         | 9,019,115    |

**REVENUES FOR FISCAL YEAR 92**



\*Includes percent of salary and SB 226 retirement adjustment.

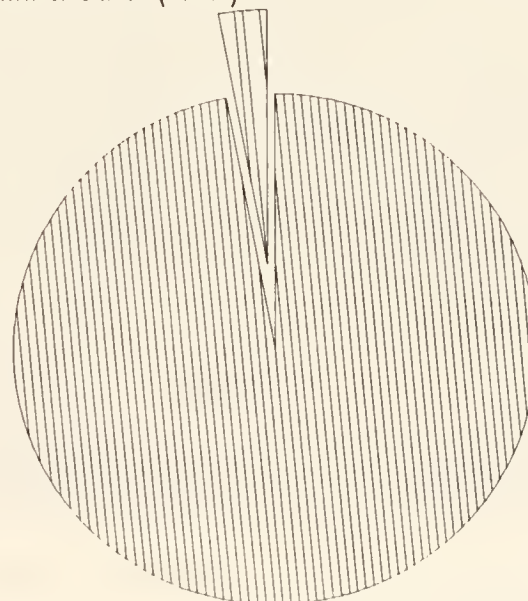


**STATE OF MONTANA**  
**FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM**  
**COMPARATIVE SUMMARY OF EXPENSES BY TYPE**

| <i>Fiscal Year</i> | <i>Benefits</i> | <i>Refunds</i> | <i>Admin Expenses*</i> | <i>Other**</i> | <i>Total</i> |
|--------------------|-----------------|----------------|------------------------|----------------|--------------|
| 06/30/83           | 2,747,860       | 15,777         | 13,191                 | 9,845          | 2,786,673    |
| 06/30/84           | 2,996,403       | 48,592         | 18,788                 | (21,245)       | 3,042,538    |
| 06/30/85           | 3,216,785       | 16,098         | 17,393                 | 676,148        | 3,926,424    |
| 06/30/86           | 3,484,636       | 32,681         | 20,924                 | (11,407)       | 3,526,834    |
| 06/30/87           | 3,730,035       | 33,473         | 25,531                 | 0              | 3,789,039    |
| 06/30/88           | 4,012,963       | 55,851         | 21,534                 | 3,370          | 4,093,718    |
| 06/30/89           | 3,997,225       | 44,775         | 18,916                 | (74,938)       | 3,985,978    |
| 06/30/90           | 4,212,857       | 20,472         | 18,721                 | 26,721         | 4,278,771    |
| 06/30/91           | 4,494,381       | 3,319          | 20,539                 | 6,060          | 4,524,299    |
| 06/30/92           | 4,851,366       | 33,930         | 28,148                 | 85,403         | 4,998,847    |

**EXPENSES FOR FISCAL YEAR 92**

Refunds, Admin. & Other (3.0%)



Benefits (97.0%)

\*Includes Investment Expense

\*\*Includes Prior Year Adjustments

**STATE OF MONTANA  
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM**

**ANALYSIS OF FUNDING PROGRESS**

*(In millions of dollars)*

| <i>Fiscal Year</i> | <i>Net Assets Available For Benefits*</i> | <i>Pension Benefit Obligation</i> | <i>Percent Funded</i> | <i>Unfunded PBO</i> | <i>Annual Covered Payroll</i> | <i>Unfunded PBO As A Percent Of Covered Payroll</i> |
|--------------------|-------------------------------------------|-----------------------------------|-----------------------|---------------------|-------------------------------|-----------------------------------------------------|
| 1988               | \$26.6                                    | \$82.1                            | 32.4%                 | \$55.5              | \$9.7                         | 572.2%                                              |
| 1989               | 30.4                                      | 89.0                              | 34.2%                 | 58.6                | 9.7                           | 604.1%                                              |
| 1990               | 34.2                                      | 91.6                              | 37.3%                 | 57.4                | 10.0                          | 574.0%                                              |
| 1991               | 38.2                                      | 93.7                              | 40.8%                 | 55.5                | 10.3                          | 539.6%                                              |
| 1992               | 42.3                                      | 101.6                             | 41.6%                 | 59.3                | 10.9                          | 545.3%                                              |

*Expressing the net assets available for benefits as a percentage of the pension benefit obligation (PBO) provides one indication of the system's funding status. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Expressing the unfunded PBO as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the system's progress made in accumulating sufficient assets to pay benefits. Generally, the smaller this percentage, the stronger the system.*

This comparative information is only available from FY88 to FY92.

\*Net Assets at cost.

*VOLUNTEER FIREFIGHTERS'  
COMPENSATION ACT*



*Early Fire Chiefs - Helena, Montana. Members of Volunteer  
Fire Dept., 1875. A.J. Davidson; C.M. Jefferis; Seth Bullock;  
T.H. Kleinschmidt. Photo compliments of Montana Historical  
Society, Helena.*

**STATE OF MONTANA  
VOLUNTEER FIREFIGHTERS' COMPENSATION ACT**

**BALANCE SHEET**

**JUNE 30, 1992**

**ASSETS**

|                            |                    |
|----------------------------|--------------------|
| Cash In Treasury           | \$3,987            |
| Interest Receivable        | 137,026            |
| Accounts Receivable        | 616,109            |
| Corporate Securities       | 4,129,887          |
| U.S. Government Securities | 1,538,715          |
| Canadian Securities        | 595,491            |
| Short Term Investment Pool | 468,800            |
| Common Stock               | 596,114            |
| Leveraged Buy-Outs         | 113,454            |
| Deferred Gains And Losses  | 16,758             |
| <b>Total Assets</b>        | <b>\$8,216,341</b> |

**LIABILITIES**

|                                          |                    |
|------------------------------------------|--------------------|
| Accounts Payable                         | 16,132             |
| <b>Net Assets Available For Benefits</b> | <b>\$8,200,209</b> |

**FUND BALANCE**

|                              |                    |
|------------------------------|--------------------|
| Pension Accumulation Reserve | 8,200,209          |
| <b>Total Fund Balance</b>    | <b>\$8,200,209</b> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA  
VOLUNTEER FIREFIGHTERS' COMPENSATION ACT**

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND BALANCE**

**FOR FISCAL YEARS ENDED JUNE 30, 1992 AND JUNE 30, 1991**

|                                         | 1992                      | 1991                      |
|-----------------------------------------|---------------------------|---------------------------|
| <b>REVENUES</b>                         |                           |                           |
| Retirement Contributions                |                           |                           |
| State                                   | \$630,961                 | \$601,102                 |
| Investment Income                       | 652,596                   | 660,125                   |
| <b>Total Revenues</b>                   | <u><u>\$1,283,557</u></u> | <u><u>\$1,261,227</u></u> |
| <b>EXPENSES</b>                         |                           |                           |
| Benefit Payments                        | \$699,557                 | \$736,785                 |
| Supplemental Insurance Payments         | 24,606                    | 22,136                    |
| Administrative Expense                  | 16,045                    | 10,445                    |
| Investment Expense                      | 1,011                     | 822                       |
| <b>Total Expenses</b>                   | <u><u>\$741,219</u></u>   | <u><u>\$770,188</u></u>   |
| <b>OTHER FINANCING SOURCES - (USES)</b> |                           |                           |
| Prior Year Adjustments                  | \$1,632                   | (\$3,118)                 |
| Excess Of Revenues Over Expenses        | 543,970                   | 487,921                   |
| Fund Balance Beginning Of Year          | 7,656,239                 | 7,168,318                 |
| <b>Fund Balance End Of Year</b>         | <u><u>\$8,200,209</u></u> | <u><u>\$7,656,239</u></u> |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA**  
**VOLUNTEER FIREFIGHTERS' COMPENSATION ACT**  
**STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1992**

**RESOURCES PROVIDED BY:**

From Operations:

|                                 |                  |
|---------------------------------|------------------|
| Excess Revenues Over Expenses   | \$543,970        |
| <b>Total Resources Provided</b> | <b>\$543,970</b> |

**RESOURCES USED BY:**

Net Increase In Working Capital

|                             |                  |
|-----------------------------|------------------|
|                             | 543,970          |
| <b>Total Resources Used</b> | <b>\$543,970</b> |

**ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL**

| <b>CURRENT ASSETS:</b>           | <b>YEAR ENDED JUNE 30</b> |                    | <b>INCREASE<br/>(DECREASE)</b> |
|----------------------------------|---------------------------|--------------------|--------------------------------|
|                                  | <b>1992</b>               | <b>1991</b>        |                                |
| Cash                             | \$3,987                   | \$6,271            | (\$2,284)                      |
| Accrued Interest                 | 137,026                   | 129,539            | 7,487                          |
| Accrued Contributions            | 616,109                   | 601,102            | 15,007                         |
| Deferred Gains And Losses        | 16,758                    | 42,909             | (26,151)                       |
| Investments:                     |                           |                    |                                |
| Federal Securities               | 952,515                   | 546,653            | 405,862                        |
| Corporate Securities             | 4,968,782                 | 4,537,908          | 430,874                        |
| Short Term Investment Pool       | 468,800                   | 580,100            | (111,300)                      |
| Common Stock                     | 596,114                   | 552,133            | 43,981                         |
| Securities On Loan               | 456,250                   | 670,129            | (213,879)                      |
| <b>Total Current Assets</b>      | <b>\$8,216,341</b>        | <b>\$7,666,744</b> | <b>\$549,597</b>               |
| <b>CURRENT LIABILITIES:</b>      |                           |                    |                                |
| Accrued Expenses                 | 16,132                    | 10,505             | 5,627                          |
| <b>Total Current Liabilities</b> | <b>\$16,132</b>           | <b>\$10,505</b>    | <b>\$5,627</b>                 |
| <b>WORKING CAPITAL</b>           | <b>\$8,200,209</b>        | <b>\$7,656,239</b> | <b>\$543,970</b>               |

*The notes to the financial statements are an integral part of this statement*

**STATE OF MONTANA  
VOLUNTEER FIREFIGHTERS' COMPENSATION ACT**

**NOTES TO THE FINANCIAL STATEMENTS**

**PLAN DESCRIPTION**

**1. PLAN MEMBERSHIP**

The Volunteer Firefighters' Compensation Act (VFCA) is a statewide pension and disability plan established in 1965 for volunteer fire companies organized in unincorporated areas, towns or villages under the laws of the State of Montana.

| <b>VFCA MEMBERSHIP DATA</b>                |                      |                      |
|--------------------------------------------|----------------------|----------------------|
|                                            | <b>June 30, 1992</b> | <b>June 30, 1991</b> |
| <b><i>RETIREES &amp; BENEFICIARIES</i></b> |                      |                      |
| Retirees                                   | 554                  | 517                  |
| Survivors                                  | <u>7</u>             | <u>4</u>             |
| <b>TOTAL</b>                               | <b>561</b>           | <b>521</b>           |

**2. PLAN BENEFITS**

**A. PENSION BENEFITS**

A volunteer firefighter may receive a pension benefit after completing 20 years of qualified service and attaining age 55. A member does not have to be an active member of a volunteer firefighting company when age 55 is attained.

The 1991 Legislature established benefits at \$120 per month (for full 20 year participation) through fiscal year 1993. The 1993 Legislature will review the fund and determine future benefit levels.

If a volunteer firefighter is prevented from completing 20 years of qualified service due to factors beyond his reasonable control, the firefighter may qualify for partial participation if the member has at least ten years of qualified service. The pension payment is prorated accordingly.

**B. DISABILITY PAYMENTS**

A member injured while performing the duties of a volunteer firefighter is eligible to receive compensation for necessary and reasonable medical expenses, not to exceed \$25,000, resulting directly from the disability and incurred within 36 months from the date of injury which caused the disability. If this disability prevents the volunteer firefighter from completing 20 years of service, the member is eligible for a partial pension benefit.

**STATE OF MONTANA  
VOLUNTEER FIREFIGHTERS' COMPENSATION ACT**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

C. DEATH BENEFITS

A lump-sum payment equal to the actual, necessary and reasonable expenses, (or \$1,500, whichever is less), will be paid directly to the provider of funeral services for any eligible volunteer firefighter whose death occurs in the line of duty.

Upon the death of an active or retired volunteer firefighter, his surviving spouse (or dependent child(ren)) will receive the full or partial pension payment earned by the firefighter. Payments to eligible survivors will end when the surviving spouse dies or remarries, the surviving dependent child(ren) reaches age 18, or the total payments have reached \$4,000 (or a portion thereof for partial pensions).

D. BENEFIT ENHANCEMENTS AFTER RETIREMENT

The 1991 Montana Legislature enacted Senate Bill 226 made all pension payments subject to state taxation and provided for an annual benefit adjustment payment to be made to all retirees who are residents of the State of Montana. During fiscal year 1992, eligible recipients received an increase of 2.69%.

E. GROUP INSURANCE PAYMENTS

To encourage volunteer companies to maintain group insurance for their members to provide benefits in case of death or injury incurred while in the line of duty, payments are made to the volunteer fire companies equal to \$75 per year for each mobile firefighting unit owned by the volunteer fire company, up to a maximum of two units.

3. FUNDING REQUIREMENTS

A. STATE CONTRIBUTIONS

The State contributes 5% of the premium taxes collected on certain fire risks. Payments are made annually to the Volunteer Firefighters' Pension Fund by the State Auditor from the fire insurance premium tax fund. Contributions for the year totalled \$630,961.

**SIGNIFICANT ACCOUNTING & FINANCIAL REPORTING POLICIES**

1. METHOD OF ACCOUNTING

Refer to the *Appendix* for standard accounting policies.



**STATE OF MONTANA  
VOLUNTEER FIREFIGHTERS' COMPENSATION ACT**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

**2. VALUATION OF INVESTMENTS**

See *Appendix* for investment policies as these policies are standard for all funds. The following is the listing of investments at fiscal year end:

| <b>VFCA INVESTMENTS</b>    |           |                  |           |                  |
|----------------------------|-----------|------------------|-----------|------------------|
| <u>Type</u>                |           | <u>Cost</u>      |           | <u>Market</u>    |
| Corporate Securities       | \$        | 4,129,887        | \$        | 4,382,597        |
| US Government Securities   |           | 1,538,715        |           | 1,595,037        |
| Canadian Securities        |           | 595,491          |           | 708,757          |
| Short Term Investment Pool |           | 468,800          |           | 468,800          |
| Mont-Comp (Common Stock)   |           | 596,114          |           | 727,147          |
| Leveraged Buy-Outs         |           | <u>113,454</u>   |           | <u>179,384</u>   |
| <b>TOTAL INVESTMENTS</b>   | <b>\$</b> | <b>7,442,461</b> | <b>\$</b> | <b>8,064,722</b> |

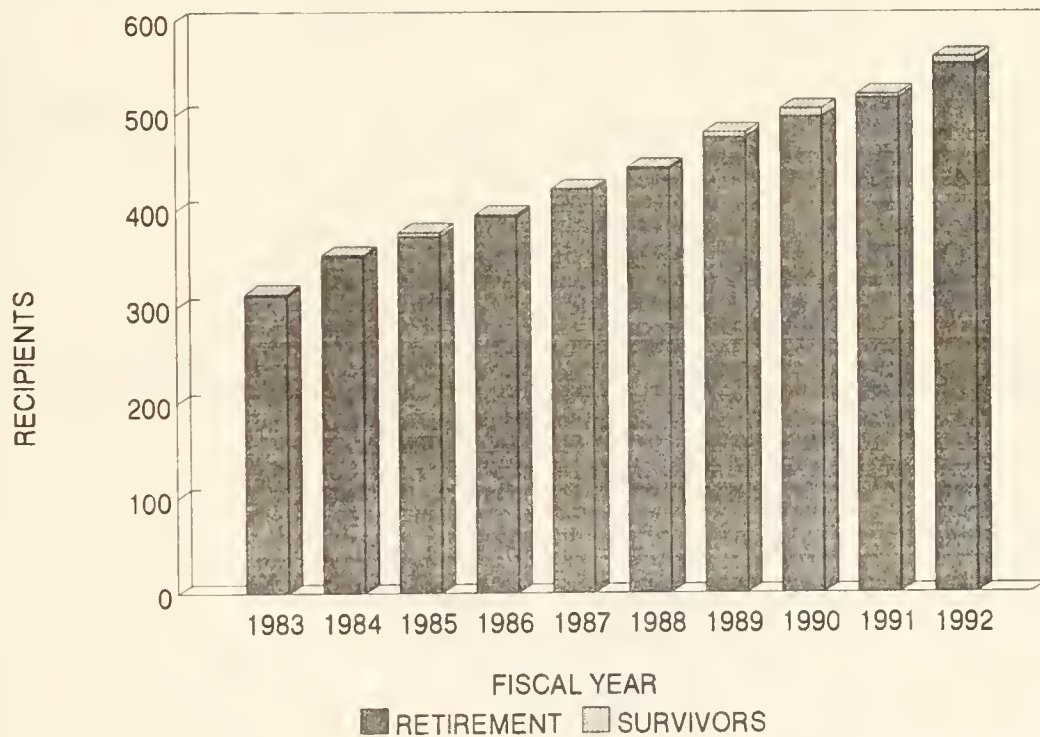
**STATE OF MONTANA**  
**VOLUNTEER FIREFIGHTERS' COMPENSATION ACT\***  
**ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS**

| <b>FISCAL<br/>YEAR</b> | <b>REVENUES</b> | <b>EXPENSES</b> | <b>ANNUAL<br/>ADDITIONS</b> | <b>NET ASSETS<br/>AVAILABLE</b> |
|------------------------|-----------------|-----------------|-----------------------------|---------------------------------|
| 06/30/84               | 804,200         | 57,355          | 746,845                     | 3,823,515                       |
| 06/30/85               | 766,908         | 293,536         | 473,372                     | 4,296,887                       |
| 06/30/86               | 971,176         | 467,770         | 503,406                     | 4,800,293                       |
| 06/30/87               | 1,018,556       | 570,273         | 448,283                     | 5,248,576                       |
| 06/30/88               | 1,049,001       | 301,556         | 747,445                     | 5,996,021                       |
| 06/30/89               | 1,154,465       | 768,249         | 386,216                     | 6,382,237                       |
| 06/30/90               | 1,183,509       | 397,428         | 786,081                     | 7,168,318                       |
| 06/30/91               | 1,261,227       | 773,306         | 487,921                     | 7,656,239                       |
| 06/30/92               | 1,283,557       | 739,587         | 543,970                     | 8,200,209                       |

\* P.E.R.D. began administering the Volunteer Firefighters' Compensation Act on July 1, 1983.

**STATE OF MONTANA**  
**VOLUNTEER FIREFIGHTERS' COMPENSATION ACT**  
**RETIRED MEMBERS AND BENEFIT RECIPIENTS**

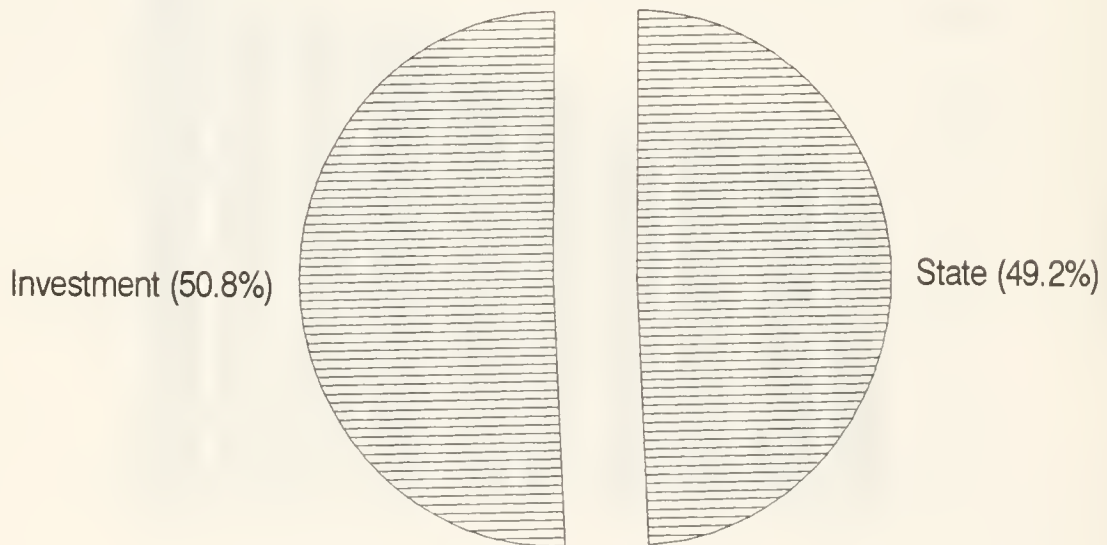
| Fiscal<br>Year  | Retirement | Survivors | Total      |
|-----------------|------------|-----------|------------|
| 06/30/83        | 312        | 2         | 314        |
| 06/30/84        | 352        | 2         | 354        |
| 06/30/85        | 373        | 4         | 377        |
| 06/30/86        | 393        | 2         | 395        |
| 06/30/87        | 422        | 0         | 422        |
| 06/30/88        | 443        | 1         | 444        |
| 06/30/89        | 476        | 5         | 481        |
| 06/30/90        | 497        | 9         | 506        |
| 06/30/91        | 517        | 4         | 521        |
| <b>06/30/92</b> | <b>554</b> | <b>7</b>  | <b>561</b> |



**STATE OF MONTANA**  
**VOLUNTEER FIREFIGHTERS' COMPENSATION ACT**  
**COMPARATIVE SUMMARY OF REVENUES BY SOURCE**

| <i>Fiscal Year</i> | <i>State Contribution</i> | <i>Investment Income</i> | <i>Total</i> |
|--------------------|---------------------------|--------------------------|--------------|
| 06/30/84           | 338,742                   | 465,458                  | 804,200      |
| 06/30/85           | 338,742                   | 428,166                  | 766,908      |
| 06/30/86           | 500,000                   | 471,176                  | 971,176      |
| 06/30/87           | 534,766                   | 483,790                  | 1,018,556    |
| 06/30/88           | 532,187                   | 516,814                  | 1,049,001    |
| 06/30/89           | 565,099                   | 589,366                  | 1,154,465    |
| 06/30/90           | 583,064                   | 600,445                  | 1,183,509    |
| 06/30/91           | 601,102                   | 660,125                  | 1,261,227    |
| 06/30/92           | 630,961                   | 652,596                  | 1,283,557    |

**REVENUES FOR FISCAL YEAR 92**

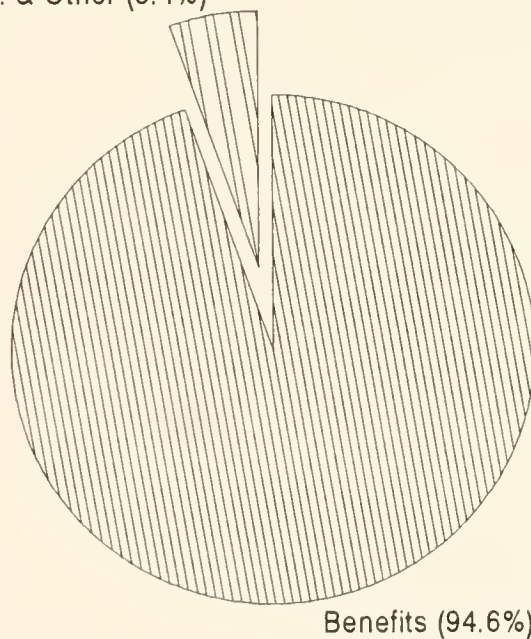


**STATE OF MONTANA**  
**VOLUNTEER FIREFIGHTERS' COMPENSATION ACT**  
**COMPARATIVE SUMMARY OF EXPENSES BY TYPE**

| <i>Fiscal Year</i> | <i>Benefits</i> | <i>Insurance Payments</i> | <i>Admin Expenses*</i> | <i>Other**</i> | <i>Total</i> |
|--------------------|-----------------|---------------------------|------------------------|----------------|--------------|
| 06/30/84           | 401,008         | 18,225                    | 6,939                  | (368,817)      | 57,355       |
| 06/30/85           | 267,869         | 19,950                    | 6,408                  | (691)          | 293,536      |
| 06/30/86           | 525,851         | 20,700                    | 7,477                  | (86,258)       | 467,770      |
| 06/30/87           | 517,693         | 21,825                    | 14,654                 | 16,101         | 570,273      |
| 06/30/88           | 328,235         | 23,640                    | 8,384                  | (58,703)       | 301,556      |
| 06/30/89           | 688,357         | 25,542                    | 9,781                  | 44,569         | 768,249      |
| 06/30/90           | 365,670         | 20,325                    | 9,897                  | 1,536          | 397,428      |
| 06/30/91           | 736,785         | 22,136                    | 11,267                 | 3,117          | 773,305      |
| 06/30/92           | 699,557         | 24,606                    | 17,056                 | (1,632)        | 739,587      |

**EXPENSES FOR FISCAL YEAR 92**

Insurance Pymnts, Admin. & Other (5.4%)



\*Includes Investment Expense

\*\*Includes Prior Year Adjustments



*S O C I A L*

*S E C U R I T Y*

*P R O G R A M*

**STATE OF MONTANA  
SOCIAL SECURITY PROGRAM  
JUNE 30, 1992  
BALANCE SHEET**

**ASSETS**

|                            |                         |
|----------------------------|-------------------------|
| Cash                       | \$55                    |
| Accounts Receivable        | 1,239                   |
| Short Term Investment Pool | <u>360,000</u>          |
| <b>Total Assets</b>        | <b><u>\$361,294</u></b> |

**LIABILITIES**

|                   |                         |
|-------------------|-------------------------|
| Accounts Payable  | <u>0</u>                |
| <b>Net Assets</b> | <b><u>\$361,294</u></b> |

**FUND BALANCE**

|                           |                         |
|---------------------------|-------------------------|
|                           | <u>\$361,294</u>        |
| <b>Total Fund Balance</b> | <b><u>\$361,294</u></b> |

**SOCIAL SECURITY PROGRAM  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND BALANCE**

**REVENUES**

|                       |                        |
|-----------------------|------------------------|
| Investment Income     | \$21,942               |
| Contributions         | <u>135</u>             |
| <b>Total Revenues</b> | <b><u>\$22,077</u></b> |

**EXPENSES**

|                          |                         |
|--------------------------|-------------------------|
| Social Security Payments | 1,199                   |
| Transfers Out            | <u>120,548</u>          |
| <b>Total Expenses</b>    | <b><u>\$121,747</u></b> |

Excess Of Revenues Over Expenses (99,670)

Fund Balance Beginning Of Year 460,964

**Fund Balance End Of Year** **\$361,294**



**STATE OF MONTANA  
PUBLIC EMPLOYEES' RETIREMENT BOARD**

**APPENDIX THE FINANCIAL STATEMENT NOTES**

**SIGNIFICANT ACCOUNTING & FINANCIAL REPORTING POLICIES**

**1. METHOD OF ACCOUNTING**

The accounting records and financial statements prepared by the Public Employees' Retirement Division use the fund accounting principals based on the accrual method of accounting. The accrual method records expenses when the liability is incurred and revenues are recorded in the accounting period in which they are earned and become measurable.

**2. VALUATION OF INVESTMENTS**

The investments of each fund are invested in four major areas: Short Term Investment Pool (STIP), Montana Common Stock Pool (Mont-Comp), Securities, and Mortgages.

- A. *STIP* is carried at cost and is currently valued at \$100.00 per unit plus income accrued since the last distribution. Income is distributed on the last business day of the month and the Public Employees' Retirement Board elects to have all STIP income automatically reinvested.
- B. *MONT-COMP* is carried at cost for financial reporting purposes. Mont-Comp's unit value is calculated once a month at the close of the last business day of the month and is based upon the market value of the equity holdings. The PERD can only buy or sell units on the first business day of the month. Investment income is distributed to PERD on the last business day of the month. This distribution is based on the full accrual method. Therefore, all dividends and interest accrued during the month are based on the number of outstanding units.
- C. *SECURITIES* are recorded at book value (original costs adjusted for discount and premium amortization). Premium and discounts are amortized using the straight-line method over the life of the securities. Bond swaps involve trading one bond for another bond having the same par value for the purpose of enhancing each fund's portfolio content and yield. Gains or losses from bond swaps are deferred and amortized over the shorter of either the remaining life of the bonds sold or the life of the replacement bonds purchased.
- D. *MORTGAGES* have an average life of eight years which is used for the amortization of mortgage discounts.





# *Actuarial Section*



# Hendrickson, Miller & Associates, Inc.

ACTUARIAL CONSULTANTS

Securities Building • 101 N. Last Chance Gulch  
P.O. Box 823 • Helena, Montana 59624  
Telephone 406/442-5222  
FAX 406/442-5089

November 4, 1992

Mark Cress, Administrator  
Public Employees' Retirement Division  
1712 9th Avenue  
Helena, MT 59620

Re: Actuarial Valuation Reports

Dear Mark:

Our firm has completed the July 1, 1992 actuarial valuations of the 7 retirement systems administered by the Public Employees' Retirement Division:

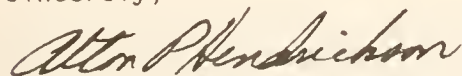
1. Public Employees' Retirement System
2. Firefighters' Retirement System
3. Municipal Police Officers' Retirement System
4. Sheriffs' Retirement System
5. Highway Patrol Retirement System
6. Game Wardens' Retirement System
7. Judges' Retirement System

The results of these valuations are summarized in the enclosed reports.

Based upon the data provided by the Public Employees' Retirement Division and the actuarial assumptions stated in the reports, we have concluded that each of these systems, excluding the Judges' Retirement System, is actuarially sound. The annual contribution to the Judges' Retirement System is not sufficient to fund the system's normal cost and unfunded liability. As such, we were unable to conclude that this system is actuarially sound.

The actuarial valuations were conducted in accordance with generally accepted actuarial principles and techniques.

Sincerely,



Alton P. Hendrickson, M.A.A.A.

jw

**STATE OF MONTANA  
ALL SYSTEMS**

**ACTUARY ASSUMPTIONS**

**ACTUARY ASSUMPTIONS**

**1. MORTALITY RATES**

The mortality rates for males and females are based upon the 1983 Group Annuity Mortality Table, and apply to both active members and those receiving benefits.

**2. DISABILITY RATES**

The disability rates for males and females are based on the 1983 Disability Table.

**3. WITHDRAWAL RATES**

The withdrawal rates are based upon the actual experience of the system as determined in the 1987 withdrawal experience study.

**4. SALARY SCALE**

The rates of salary increases are based upon an assumed compounded growth rate of 6.5% per annum.

**5. INVESTMENT EARNINGS**

It was assumed that the investment earnings would be 8% compounded annually.

**6. MARKET VALUE ASSET VALUATION**

The assets are based on market value, adjusted with gains and losses graduated over a 4-year period.

**7. ADMINISTRATIVE EXPENSES**

It was assumed that the system would incur no administrative expenses beyond those covered by investment earnings in excess of 8% and the \$1 per member charge for the PERS. The supplemental payments for the MPORS and the FURS are not considered for those valuations.

**8. TERMINATION BENEFITS**

It was assumed that all members terminating with less than the required years of service would receive an immediate withdrawal of their member contributions with interest. It was further assumed that vested members would select the most advantageous benefits under the given assumptions.

**BENEFIT OBLIGATIONS & HISTORICAL TREND INFORMATION**

The pension obligation is standardized disclosure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as

**STATE OF MONTANA  
ALL SYSTEMS**

**ACTUARY ASSUMPTIONS**

(continued)

a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the Systems' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons with other public employee retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the Systems. The pension benefit obligation was determined as part of the required actuarial information at June 30, 1992. Significant actuarial assumptions at June 30, 1992 include:

1. a rate of return on investments of 8% compounded annually
2. projected salary increases of 6.5%.

## COMPARATIVE SUMMARY OF RETIREES

(By Fiscal Year)

|                  | <i>PERS</i> | <i>MPORS</i> | <i>GWRS</i> | <i>SRS</i> | <i>JRS</i> | <i>HPORS</i> | <i>FURS</i> | <i>VFCA</i> | <i>TOTAL</i> |
|------------------|-------------|--------------|-------------|------------|------------|--------------|-------------|-------------|--------------|
| <i>BEGIN BAL</i> | 6,733       | 331          | 34          | 46         | 14         | 124          | 317         | 286         | 7,885        |
| <i>FY 83</i>     |             |              |             |            |            |              |             |             |              |
| ADDED            | 664         | 12           | 6           | 5          | 7          | 4            | 9           | 51          | 758          |
| REMOVED          | (239)       | 0            | (1)         | (2)        | 0          | (2)          | (2)         | (23)        | (269)        |
| ENDING           | 7,158       | 343          | 39          | 49         | 21         | 126          | 324         | 314         | 8,374        |
| <i>FY 84</i>     |             |              |             |            |            |              |             |             |              |
| ADDED            | 603         | 15           | 6           | 3          | 0          | 5            | 17          | 52          | 701          |
| REMOVED          | (193)       | (4)          | (8)         | 0          | (1)        | 0            | (3)         | (12)        | (221)        |
| ENDING           | 7,568       | 354          | 37          | 52         | 20         | 131          | 338         | 354         | 8,854        |
| <i>FY 85</i>     |             |              |             |            |            |              |             |             |              |
| ADDED            | 661         | 7            | 3           | 6          | 2          | 5            | 11          | 32          | 727          |
| REMOVED          | (204)       | (2)          | 0           | (3)        | (1)        | (2)          | (4)         | (9)         | (225)        |
| ENDING           | 8,025       | 359          | 40          | 55         | 21         | 134          | 345         | 377         | 9,356        |
| <i>FY 86</i>     |             |              |             |            |            |              |             |             |              |
| ADDED            | 586         | 16           | 4           | 7          | 1          | 13           | 19          | 33          | 679          |
| REMOVED          | (205)       | (6)          | 0           | (3)        | (1)        | (2)          | (7)         | (15)        | (239)        |
| ENDING           | 8,406       | 369          | 44          | 59         | 21         | 145          | 357         | 395         | 9,796        |
| <i>FY 87</i>     |             |              |             |            |            |              |             |             |              |
| ADDED            | 626         | 16           | 2           | 15         | 2          | 10           | 17          | 39          | 727          |
| REMOVED          | (230)       | (4)          | 0           | (2)        | (1)        | 0            | (9)         | (12)        | (258)        |
| ENDING           | 8,802       | 381          | 46          | 72         | 22         | 155          | 365         | 422         | 10,265       |
| <i>FY 88</i>     |             |              |             |            |            |              |             |             |              |
| ADDED            | 662         | 24           | 4           | 2          | 0          | 9            | 11          | 35          | 747          |
| REMOVED          | (240)       | (5)          | 0           | 0          | (1)        | 0            | (11)        | (13)        | (270)        |
| ENDING           | 9,224       | 400          | 50          | 74         | 21         | 164          | 365         | 444         | 10,742       |
| <i>FY 89</i>     |             |              |             |            |            |              |             |             |              |
| ADDED            | 713         | 15           | 7           | 5          | 4          | 13           | 14          | 53          | 824          |
| REMOVED          | (285)       | (6)          | (1)         | (1)        | 0          | (1)          | (11)        | (16)        | (321)        |
| ENDING           | 9,652       | 409          | 56          | 78         | 25         | 176          | 368         | 481         | 11,245       |
| <i>FY 90</i>     |             |              |             |            |            |              |             |             |              |
| ADDED            | 714         | 17           | 3           | 8          | 3          | 8            | 20          | 42          | 815          |
| REMOVED          | (280)       | (4)          | (1)         | (1)        | (2)        | (2)          | (4)         | (17)        | (311)        |
| ENDING           | 10,086      | 422          | 58          | 85         | 26         | 182          | 384         | 506         | 11,749       |
| <i>FY 91</i>     |             |              |             |            |            |              |             |             |              |
| ADDED            | 622         | 16           | 1           | 13         | 5          | 11           | 16          | 32          | 716          |
| REMOVED          | (279)       | (9)          | 0           | (5)        | 0          | (2)          | (4)         | (17)        | (316)        |
| ENDING           | 10,429      | 429          | 59          | 93         | 31         | 191          | 396         | 521         | 12,149       |
| <i>FY 92</i>     |             |              |             |            |            |              |             |             |              |
| ADDED            | 603         | 14           | 3           | 6          | 2          | 13           | 10          | 59          | 710          |
| REMOVED          | (298)       | (7)          | (1)         | 0          | (2)        | (3)          | (5)         | (19)        | (335)        |
| ENDING           | 10,734      | 436          | 61          | 99         | 31         | 201          | 401         | 561         | 12,524       |



**STATE OF MONTANA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**PENSION DISCLOSURE INFORMATION**

**ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS**

*INACTIVES:*

|                            |                   |                       |
|----------------------------|-------------------|-----------------------|
| Retirees & beneficiaries   | \$511,232,215     |                       |
| Other terminated employees | <u>30,277,030</u> |                       |
| <b>Total Inactive</b>      |                   | <b>\$ 541,509,245</b> |

*CURRENT EMPLOYEES:*

|                                    |                   |                              |
|------------------------------------|-------------------|------------------------------|
| Accumulated employee contributions | \$341,229,990     |                              |
| Employer financed vested           | 385,926,351       |                              |
| Employer financed non-vested       | <u>25,936,675</u> |                              |
| <b>Total Current Employees</b>     |                   | <b>\$ <u>753,163,016</u></b> |

*TOTAL PENSION BENEFIT OBLIGATION:* \$1,294,672,261

**NET ASSETS AVAILABLE FOR BENEFITS**

*COST:* \$1,007,708,403  
*MARKET:* \$1,133,201,659

*TOTAL UNFUNDED PENSION BENEFIT OBLIGATION:* \$ 286,963,858

**COVERED PAYROLL** **\$ 548,152,580**

**PERS TREND INFORMATION**

|                                                       | <u>1992</u> | <u>1991</u> | <u>1990</u> |
|-------------------------------------------------------|-------------|-------------|-------------|
| Net assets available for benefits as % of PBO         | 77.8%       | 78.3%       | 76.9%       |
| Unfunded PBO as & of annual covered payroll           | 52.4%       | 49.8%       | 53.1%       |
| Employer contributions as % of annual covered payroll | 6.42%       | 6.42%       | 6.42%       |

**STATE OF MONTANA**  
**MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM**  
**PENSION DISCLOSURE INFORMATION**

**ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS**

*INACTIVES:*

|                            |               |                      |
|----------------------------|---------------|----------------------|
| Retirees & beneficiaries   | \$ 42,808,798 |                      |
| Other terminated employees | <u>0</u>      |                      |
| <b>Total Inactive</b>      |               | <b>\$ 42,808,798</b> |

*CURRENT EMPLOYEES:*

|                                    |                  |                      |
|------------------------------------|------------------|----------------------|
| Accumulated employee contributions | \$ 9,161,273     |                      |
| Employer financed vested           | 21,917,401       |                      |
| Employer financed non-vested       | <u>4,236,733</u> |                      |
| <b>Total Current Employees</b>     |                  | <b>\$ 35,315,506</b> |

**TOTAL PENSION BENEFIT OBLIGATION:** \$ 78,124,304

**NET ASSETS AVAILABLE FOR BENEFITS**

*COST:* \$ 41,302,748

*MARKET:* \$ 44,047,551

**TOTAL UNFUNDED PENSION BENEFIT OBLIGATION:** \$ 36,821,556

**COVERED PAYROLL** **\$ 11,402,679**

**MPORS TREND INFORMATION**

|                                                       | <u>1992</u> | <u>1991</u> | <u>1990</u> |
|-------------------------------------------------------|-------------|-------------|-------------|
| Net assets available for benefits as % of PBO         | 52.9%       | 49.6%       | 49.4%       |
| Unfunded PBO as % of annual covered payroll           | 322.9%      | 316.2%      | 339.8%      |
| Employer contributions as % of annual covered payroll | 13.92%      | 13.02%      | 13.02%      |

**STATE OF MONTANA  
GAME WARDENS' RETIREMENT SYSTEM  
PENSION DISCLOSURE INFORMATION**

**ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS**

*INACTIVES:*

|                            |              |                     |
|----------------------------|--------------|---------------------|
| Retirees & beneficiaries   | \$ 7,330,557 |                     |
| Other terminated employees | <u>0</u>     |                     |
| <b>Total Inactive</b>      |              | <b>\$ 7,330,557</b> |

*CURRENT EMPLOYEES:*

|                                    |                |                     |
|------------------------------------|----------------|---------------------|
| Accumulated employee contributions | \$ 3,087,249   |                     |
| Employer financed vested           | 3,500,087      |                     |
| Employer financed non-vested       | <u>297,716</u> |                     |
| <b>Total Current Employees</b>     |                | <b>\$ 6,885,052</b> |

**TOTAL PENSION BENEFIT OBLIGATION:** \$ 14,215,609

**NET ASSETS AVAILABLE FOR BENEFITS**

*COST:* \$ 12,608,194  
*MARKET:* \$ 13,924,908

**TOTAL UNFUNDED PENSION BENEFIT OBLIGATION:** \$ 1,607,415

**COVERED PAYROLL** \$ 2,466,11

**GWRS TREND INFORMATION**

|                                                       | <u>1992</u> | <u>1991</u> | <u>1990</u> |
|-------------------------------------------------------|-------------|-------------|-------------|
| Net assets available for benefits as % of PBO         | 88.7%       | 86.9%       | 83.9%       |
| Unfunded PBO as & of annual covered payroll           | 65.2%       | 74.6%       | 92.3%       |
| Employer contributions as % of annual covered payroll | 7.15%       | 7.15%       | 7.15%       |

**STATE OF MONTANA  
SHERIFFS' RETIREMENT SYSTEM**

**PENSION DISCLOSURE INFORMATION**

**ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS**

*INACTIVES:*

|                            |                |                     |
|----------------------------|----------------|---------------------|
| Retirees & beneficiaries   | \$ 8,282,540   |                     |
| Other terminated employees | <u>411,231</u> |                     |
| <b>Total Inactive</b>      |                | <b>\$ 8,693,771</b> |

*CURRENT EMPLOYEES:*

|                                    |                  |                            |
|------------------------------------|------------------|----------------------------|
| Accumulated employee contributions | \$ 9,816,905     |                            |
| Employer financed vested           | 11,849,452       |                            |
| Employer financed non-vested       | <u>2,271,776</u> |                            |
| <b>Total Current Employees</b>     |                  | <b><u>\$23,938,133</u></b> |

**TOTAL PENSION BENEFIT OBLIGATION:** \$32,631,904

**NET ASSETS AVAILABLE FOR BENEFITS**

*COST:* \$41,277,716  
*MARKET:* \$44,113,983

**TOTAL UNFUNDED PENSION BENEFIT OBLIGATION:** \$(8,645,812)

**COVERED PAYROLL** \$13,688,154

**SRS TREND INFORMATION**

|                                                       | <u>1992</u> | <u>1991</u> | <u>1990</u> |
|-------------------------------------------------------|-------------|-------------|-------------|
| Net assets available for benefits as % of PBO         | 126.5%      | 137.2%      | 138.6%      |
| Unfunded PBO as & of annual covered payroll           | (63.2)%     | (85.9)%     | (77.8)%     |
| Employer contributions as % of annual covered payroll | 7.67%       | 7.67%       | 7.67%       |

**STATE OF MONTANA  
JUDGES' RETIREMENT SYSTEM**

**PENSION DISCLOSURE INFORMATION**

**ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS**

*INACTIVES:*

|                            |                  |                     |
|----------------------------|------------------|---------------------|
| Retirees & beneficiaries   | \$ 9,660,539     |                     |
| Other terminated employees | <u>1,510,208</u> |                     |
| <b>Total Inactive</b>      |                  | <b>\$11,170,747</b> |

*CURRENT EMPLOYEES:*

|                                    |                  |                     |
|------------------------------------|------------------|---------------------|
| Accumulated employee contributions | \$ 1,812,497     |                     |
| Employer financed vested           | 8,353,284        |                     |
| Employer financed non-vested       | <u>1,173,821</u> |                     |
| <b>Total Current Employees</b>     |                  | <b>\$11,339,602</b> |

*TOTAL PENSION BENEFIT OBLIGATION:* \$22,510,349

**NET ASSETS AVAILABLE FOR BENEFITS**

*COST:* \$15,929,246  
*MARKET:* \$17,354,405

*TOTAL UNFUNDED PENSION BENEFIT OBLIGATION:* \$ 6,581,103

**COVERED PAYROLL** \$ 2,686,371

**JRS TREND INFORMATION**

|                                                       | <u>1992</u> | <u>1991</u> | <u>1990</u> |
|-------------------------------------------------------|-------------|-------------|-------------|
| Net assets available for benefits as % of PBO         | 70.8%       | 69.5%       | 71.7%       |
| Unfunded PBO as % of annual covered payroll           | 245.0%      | 262.6%      | 231.9%      |
| Employer contributions as % of annual covered payroll | 6.0%        | 6.0%        | 6.0%        |

**STATE OF MONTANA  
HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM**

**PENSION DISCLOSURE INFORMATION**

**ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS**

*INACTIVES:*

|                            |                |                     |
|----------------------------|----------------|---------------------|
| Retirees & beneficiaries   | \$30,688,332   |                     |
| Other terminated employees | <u>218,735</u> |                     |
| <b>Total Inactive</b>      |                | <b>\$30,907,067</b> |

*CURRENT EMPLOYEES:*

|                                    |                  |                     |
|------------------------------------|------------------|---------------------|
| Accumulated employee contributions | \$ 6,249,500     |                     |
| Employer financed vested           | 18,864,314       |                     |
| Employer financed non-vested       | <u>1,004,133</u> |                     |
| <b>Total Current Employees</b>     |                  | <b>\$26,117,947</b> |

*TOTAL PENSION BENEFIT OBLIGATION:* \$57,025,014

**NET ASSETS AVAILABLE FOR BENEFITS**

*COST:* \$31,167,177  
*MARKET:* \$33,710,986

*TOTAL UNFUNDED PENSION BENEFIT OBLIGATION:* \$25,857,837

**COVERED PAYROLL** \$ 5,575,233

**HPORS TREND INFORMATION**

|                                                       | <u>1992</u> | <u>1991</u> | <u>1990</u> |
|-------------------------------------------------------|-------------|-------------|-------------|
| Net assets available for benefits as % of PBO         | 54.7%       | 53.2%       | 56.1%       |
| Unfunded PBO as % of annual covered payroll           | 463.8%      | 476.9%      | 387.2%      |
| Employer contributions as % of annual covered payroll | 36.28%      | 26.75%      | 16.57%      |

**STATE OF MONTANA  
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM  
PENSION DISCLOSURE INFORMATION**

**ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS**

*INACTIVES:*

|                            |                |                      |
|----------------------------|----------------|----------------------|
| Retirees & beneficiaries   | \$ 48,640,757  |                      |
| Other terminated employees | <u>666,336</u> |                      |
| <b>Total Inactive</b>      |                | <b>\$ 49,307,093</b> |

*CURRENT EMPLOYEES:*

|                                    |                  |                      |
|------------------------------------|------------------|----------------------|
| Accumulated employee contributions | \$ 9,818,603     |                      |
| Employer financed vested           | 38,503,388       |                      |
| Employer financed non-vested       | <u>3,977,034</u> |                      |
| <b>Total Current Employees</b>     |                  | <b>\$ 52,299,025</b> |

*TOTAL PENSION BENEFIT OBLIGATION:* \$101,606,118

**NET ASSETS AVAILABLE FOR BENEFITS**

*COST:* \$ 42,258,096  
*MARKET:* \$ 44,158,612

*TOTAL UNFUNDED PENSION BENEFIT OBLIGATION:* \$ 59,348,022

**COVERED PAYROLL** \$ 10,883,033

**FURS TREND INFORMATION**

|                                                       | <u>1992</u> | <u>1991</u> | <u>1990</u> |
|-------------------------------------------------------|-------------|-------------|-------------|
| Net assets available for benefits as % of PBO         | 41.6%       | 40.8%       | 37.4%       |
| Unfunded PBO as % of annual covered payroll           | 545.3%      | 539.6%      | 573.1%      |
| Employer contributions as % of annual covered payroll | 13.02%      | 13.02%      | 13.02%      |







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